

Day Hagan Market Update

A time-tested, disciplined approach to investing.

Presented By:

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Day Hagan Asset Management



DayHagan.com



Headwinds becoming Tailwinds

PTP = “Past the Peak”

- PTP Fed (global Central Bank) hawkishness
- PTP levels of Fed Balance Sheet reduction
- PTP inflation
- PTP supply chain distortions
- PTP interest rates (mortgage rates)
- PTP recession concerns
- PTP oil prices
- Seeing technical improvement



Headwinds

- TIAA (there is an alternative)
- U.S. Large Cap Valuations
- Earnings expectations too high
- Tax/Regulatory backdrop
- Short-term excessive optimism/overbought conditions
- Tight labor market
- Housing market over-corrects
- Tighter lending standards (credit conditions)
- Continued profligate fiscal spending
- Debt ceiling tensions
- Geopolitical upheavals



Major Models:

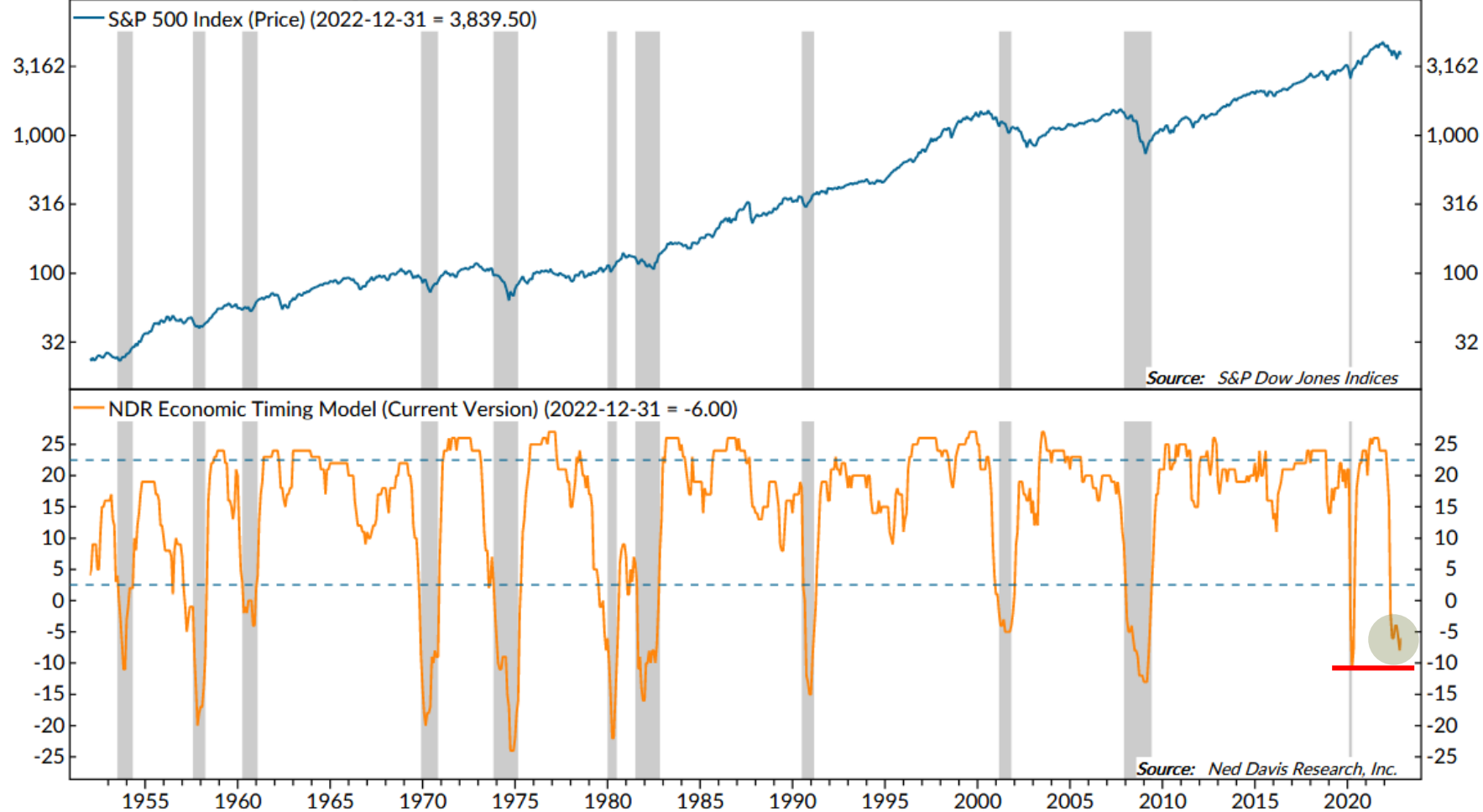


NDR Economic Timing Model:

Nearing levels seen during the worst of the pandemic.

NDR Economic Timing Model vs. S&P 500

Monthly Data 1952-01-31 to 2022-12-31



Source: S&P Dow Jones Indices

Source: Ned Davis Research, Inc.

Shaded areas represent National Bureau of Economic Research recessions

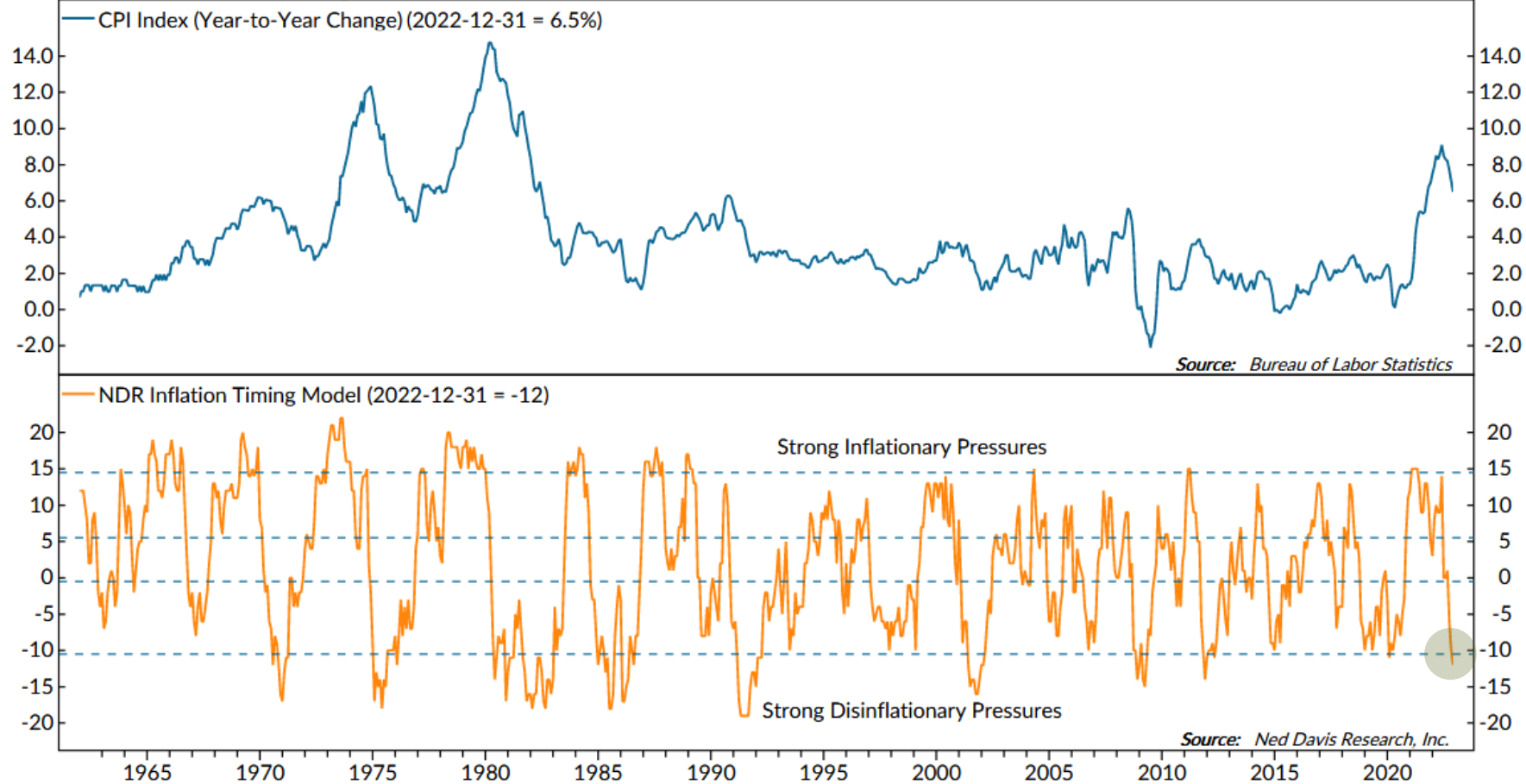
S&P 500 Performance		
Full History: 1952-01-31 to 2022-12-31		
Economic Timing Model Indicates	% Gain/Annum	% of Time
Above 22.5	10.24	27.62
2.5 - 22.5	7.25	55.47
Below 2.5	3.40	16.90
Buy/Hold = 7.40% Gain/Annum		

NDR Inflation Timing Model:

Strong disinflationary pressures.

NDR Inflation Timing Model (Current Version) -- Mode Basis

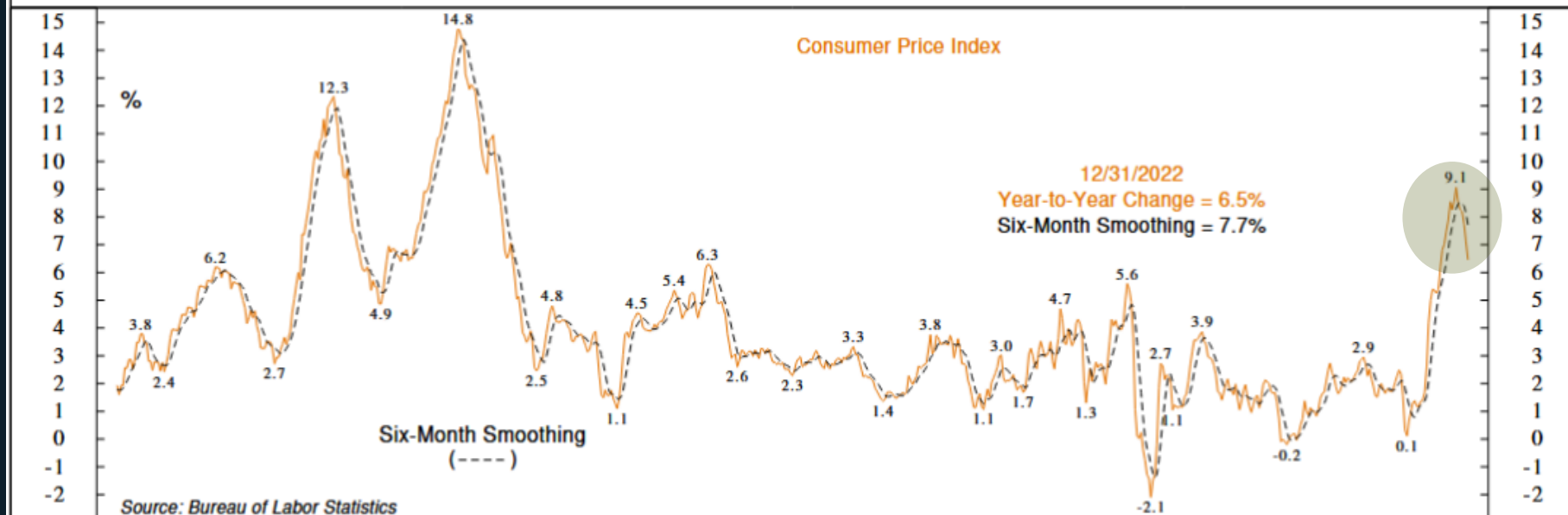
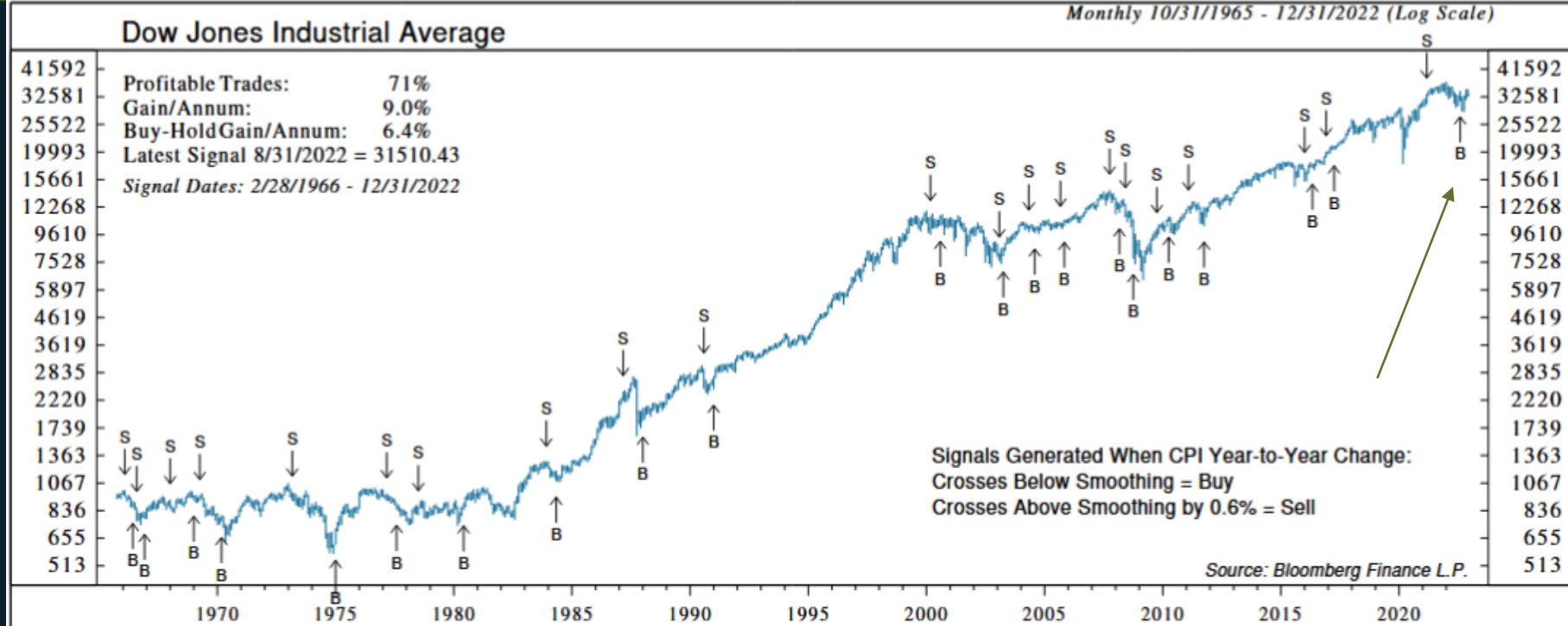
Monthly Data 1962-01-31 to 2022-12-31



Consumer Price Index Performance		
Full History: 1962-01-31 to 2022-12-31		
NDR Inflation Timing Model -- Mode Basis	Points/Annum	% of Time
Strong Disinflation	-3.41	11.20
Moderate Disinflation	-1.00	30.93
Neutral Inflation	0.23	20.68
Moderate Inflation	1.22	25.70
Strong Inflation	3.68	11.50
Buy/Hold = 0.10 Points/Annum		



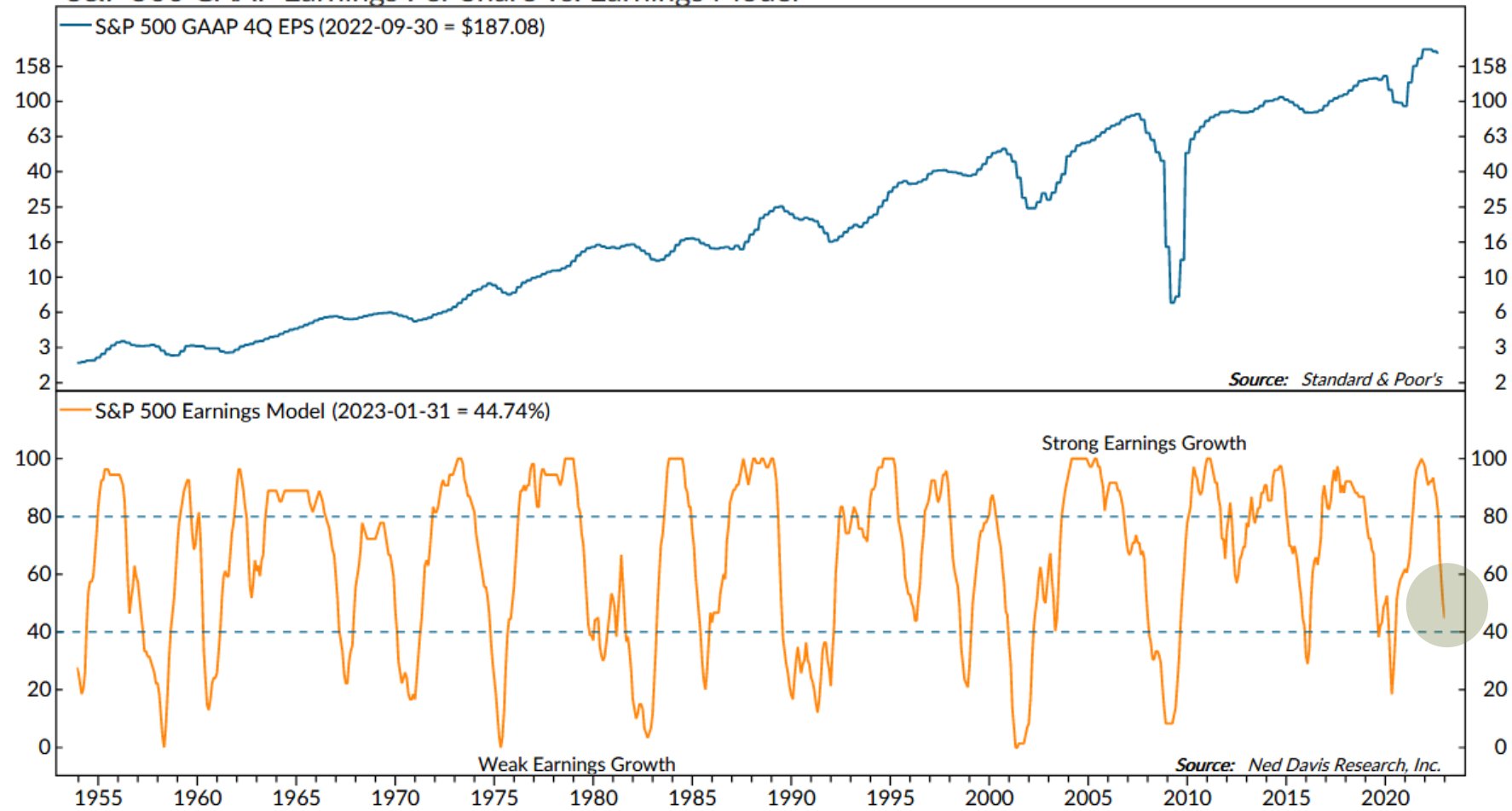
Peaks in inflation are positive for equities.



Earnings growth is a question mark and a concern. Currently a neutral outlook.

S&P 500 GAAP Earnings Per Share vs. Earnings Model

Monthly Data 1953-12-31 to 2023-01-31



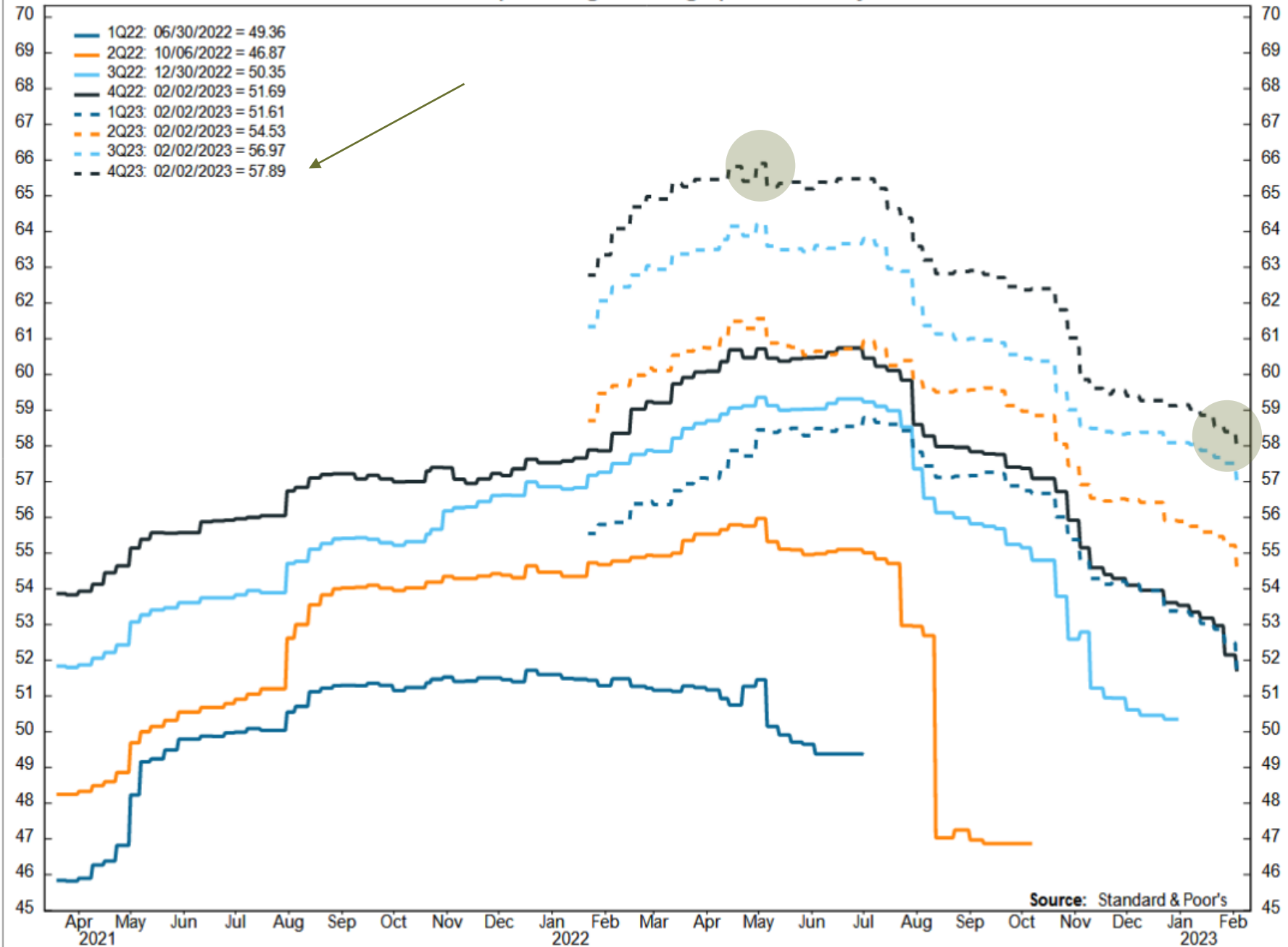
S&P 500 (GAAP) Earnings Per Share Performance		
Full History: 1953-12-31 to 2022-09-30		
S&P 500 Earnings Model:	% Gain/Annum	% of Time
Above 80.0	19.22	41.91
40.0 - 80.0	12.70	36.53
Below 40.0	-22.40	21.56
Buy/Hold = 6.47% Gain/Annum		
Highlighted Mode Date: 2023-01-31 = 44.74		



Earnings estimates have moved lower.

Consensus Estimates for S&P 500 Operating Earnings per Share by Quarter

Weekly Data 2021-03-18 to 2023-02-02

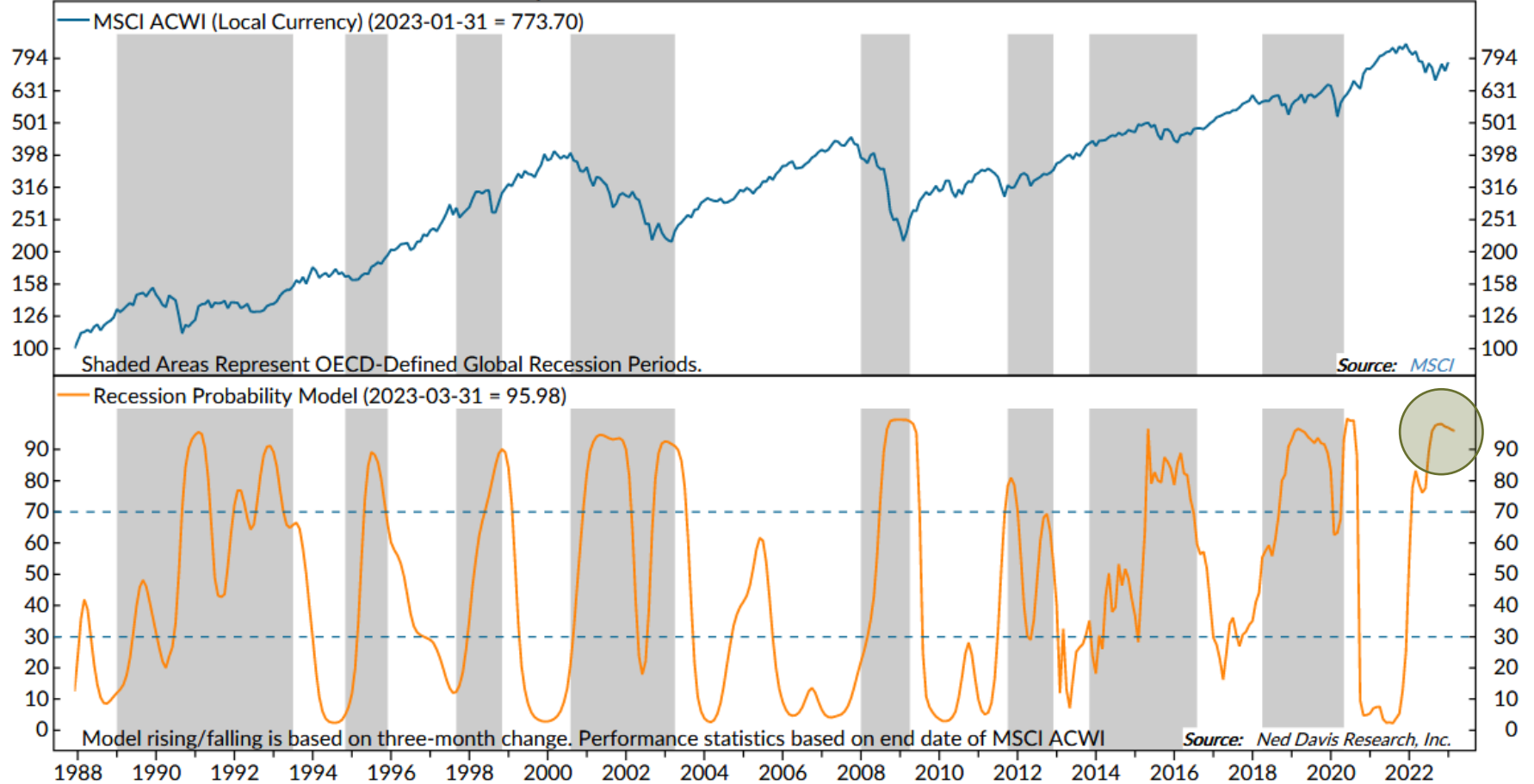


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The global recession probability model counterintuitively supports higher global stock prices.

NDRG Global Recession Probability Model vs. MSCI ACWI

Monthly Data 1987-12-31 to 2023-03-31



Returns Regardless of Direction ACWI Performance Chart View: 1988-03-31 to 2023-01-31		
Recession Probability Model	% Gain/Annum	% of Time
Above 70.0	3.66	29.89
30.0 - 70.0	4.18	31.62
Below 30.0	8.56	38.49
Buy/Hold = 5.69% Gain/Annum		

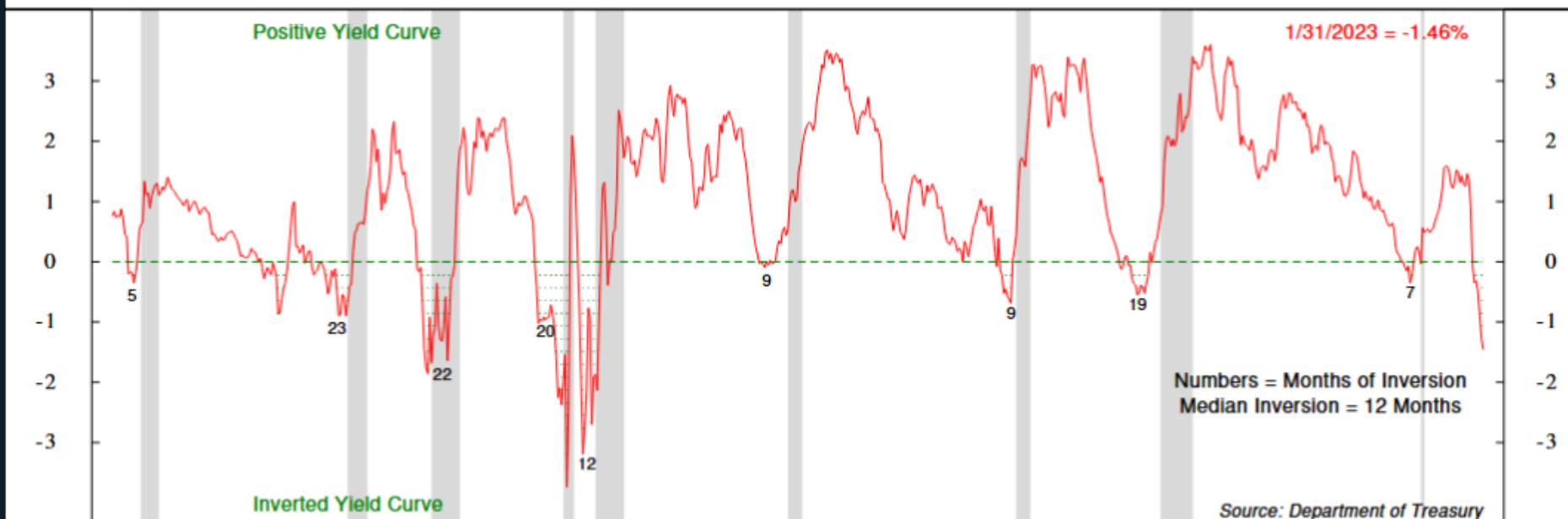
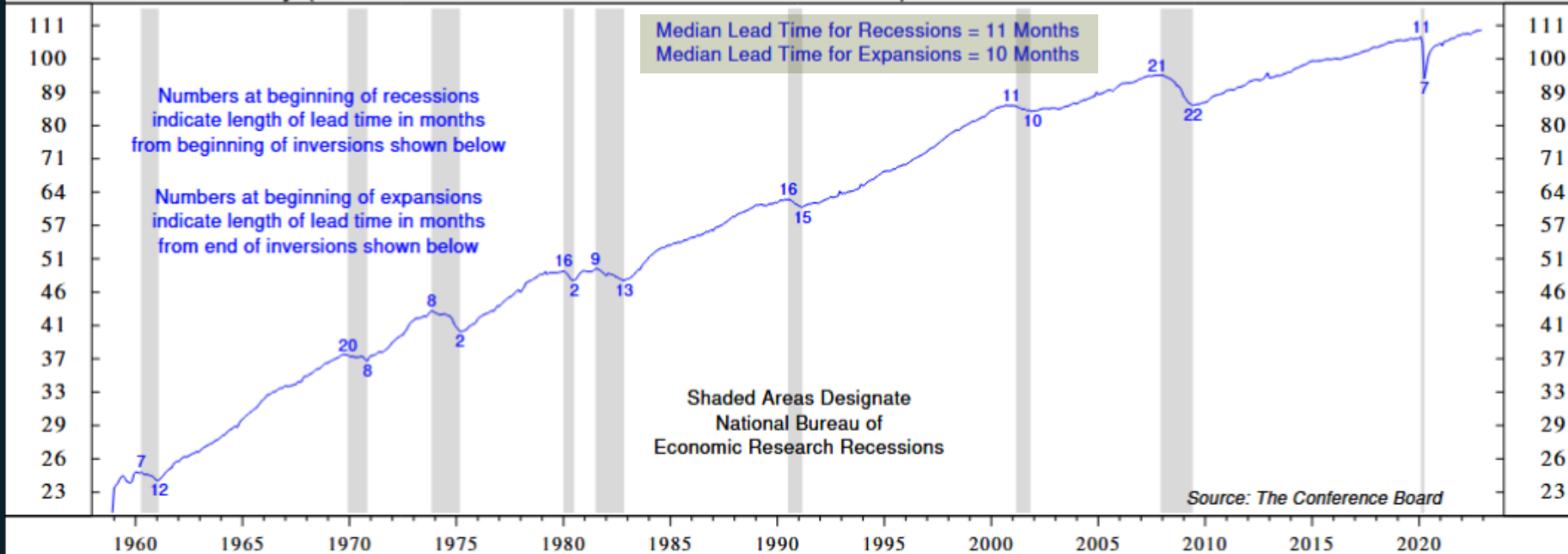
Recession Probability Model Rising ACWI Performance Chart View: 1988-03-31 to 2023-01-31		
Recession Probability Model	% Gain/Annum	% of Time
Above 70.0	-3.84	19.38
30.0 - 70.0	0.73	16.76
Below 30.0	6.77	15.11
Buy/Hold = 5.69% Gain/Annum		

Recession Probability Model Falling ACWI Performance Chart View: 1988-03-31 to 2023-01-31		
Recession Probability Model	% Gain/Annum	% of Time
Above 70.0	19.06	10.51
30.0 - 70.0	8.22	14.86
Below 30.0	9.73	23.38
Buy/Hold = 5.69% Gain/Annum		

Yield curve perspective.

The Economy (The Index of Coincident Economic Indicators)

Monthly 12/31/1958 - 1/31/2023 (Log Scale)



(E641)

Treasury Yield Curve - 10-Year Treasury Yield minus 6-Month T-Bill Bond-Equivalent Yield

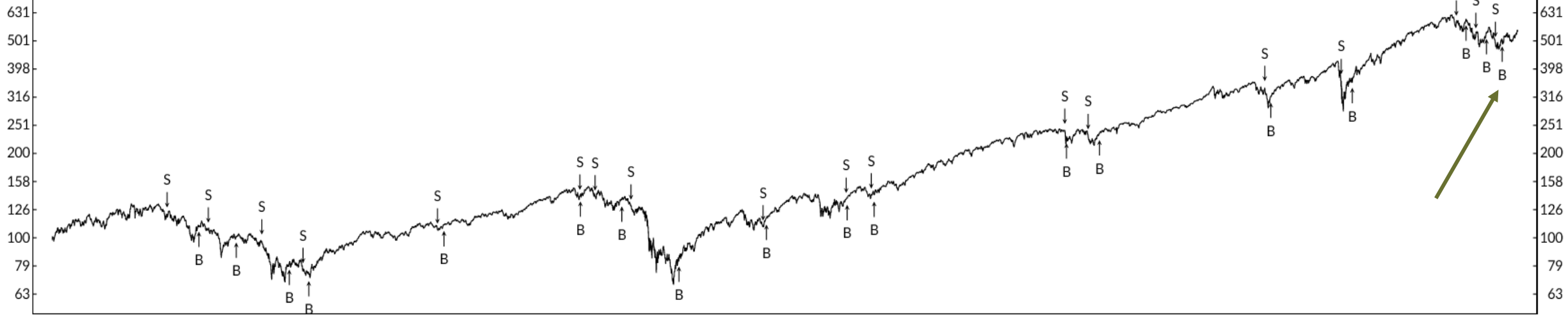
Smart Sector with Catastrophic Stop:



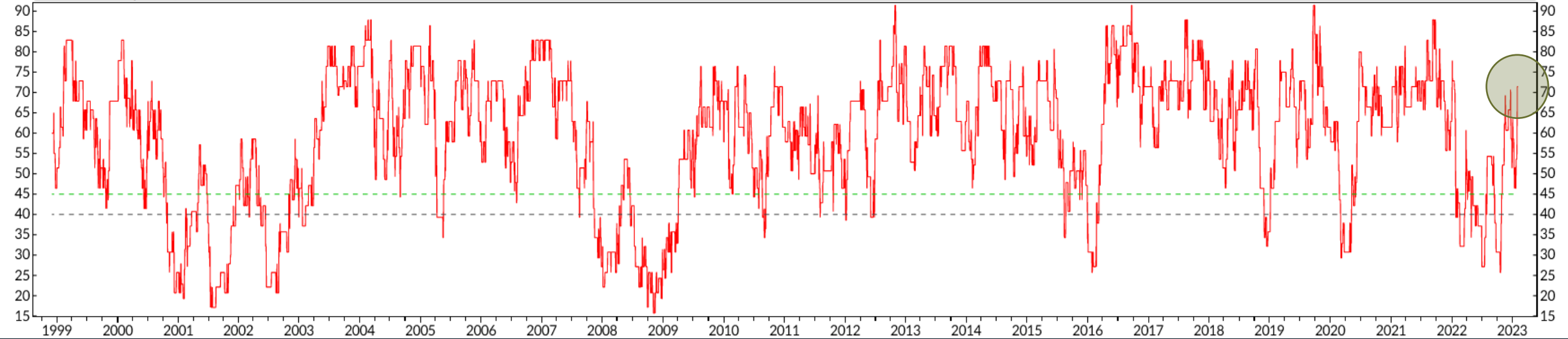
Day Hagan/Ned Davis Research Catastrophic Stop Model

Model — S&P 500 (2023-02-07 = 547.45)

Clip Notes: All lines = 100 on 1998-12-01



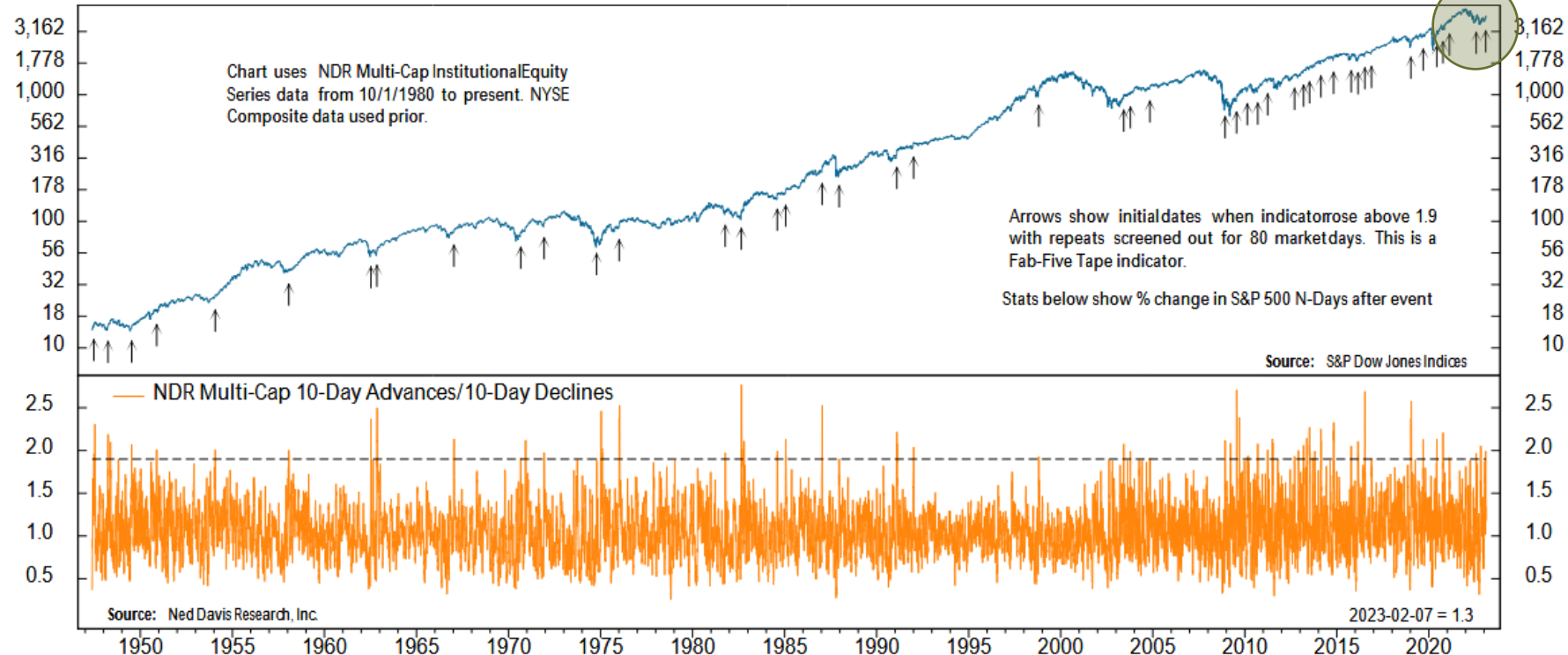
Model Composite (2023-02-07 = 71.43)



Breadth thrust signals are historically accurate.

Standard & Poor's 500 Stock Index

Daily Data 1947-05-17 to 2023-02-07 (Log Scale)



Event Date	10-Day A/D	5 Days	10 Days	22 Days	63 Days	126 Days	252 Days
1947-06-23	1.96	-0.2	2.8	5.8	-0.4	-2.6	4.2
1948-03-29	2.05	3.1	4.0	7.3	16.1	7.6	0.6
1949-07-13	2.06	1.3	1.9	3.7	7.3	12.7	26.7
1950-11-20	2.01	1.3	-2.0	-1.5	11.0	10.2	19.4
1954-01-25	2.00	0.2	1.2	-0.1	7.5	17.0	37.0
1958-01-24	2.00	-0.0	0.0	-2.6	3.4	11.8	33.7
1962-07-10	1.98	-0.7	-1.5	0.5	-0.2	12.9	22.2
1962-11-07	1.91	2.5	3.6	6.1	12.7	19.8	24.4
1967-01-13	1.94	1.8	1.9	4.3	7.0	9.7	14.1
1970-08-31	1.91	1.9	-0.2	3.4	7.0	19.0	22.1
1971-12-08	1.98	1.7	4.4	6.6	12.4	11.1	21.8
1974-10-14	1.91	1.0	-3.6	0.8	-1.5	18.8	23.0
1976-01-06	2.05	2.2	5.7	7.3	10.7	10.7	13.0
1981-10-09	1.97	-1.9	-2.3	1.0	-3.8	-4.5	7.9
1982-08-24	1.96	3.6	5.9	6.9	16.4	26.1	42.5
1984-08-07	1.95	1.1	3.1	1.0	3.6	11.0	15.5
1985-01-21	2.00	1.2	2.9	2.8	3.1	10.9	17.4
1987-01-13	2.02	3.5	5.3	6.0	9.9	19.5	-5.6
1987-12-18	1.90	-1.4	3.8	-2.4	7.9	7.9	10.9

Event Date	10-Day A/D	5 Days	10 Days	22 Days	63 Days	126 Days	252 Days
1991-02-04	1.95	5.8	6.0	7.9	9.1	10.5	17.6
1992-01-03	1.92	-1.0	-0.1	-1.3	-4.5	-1.8	3.9
1998-10-22	1.93	0.7	5.1	10.2	14.4	26.1	20.7
2003-06-04	2.06	1.1	2.4	1.8	4.1	8.2	13.2
2003-10-14	1.99	-0.3	-0.3	0.9	7.7	7.6	5.1
2004-11-05	1.91	1.5	0.4	1.4	3.0	1.1	4.6
2008-12-05	2.12	0.4	1.3	3.8	-17.9	7.6	25.9
2009-07-21	1.91	2.6	5.3	5.5	15.0	19.2	12.0
2010-02-19	1.92	-0.4	2.7	5.9	-3.4	-3.0	20.8
2010-09-14	1.97	1.7	2.4	4.7	10.6	14.3	4.6
2011-03-30	2.01	0.5	-1.0	2.5	-1.6	-13.3	5.6
2012-09-14	1.93	-0.4	-1.7	-0.7	-2.4	6.3	17.7
2013-03-11	2.06	-0.3	-0.3	2.4	5.6	7.4	20.0
2013-07-09	2.27	1.4	2.4	2.7	1.4	11.2	19.4
2014-02-18	2.25	0.2	1.8	1.7	2.4	7.1	14.1
2014-10-27	2.05	2.9	3.9	5.7	2.1	7.4	5.3
2015-10-12	2.05	0.8	2.7	2.9	-3.9	3.2	5.9
2016-02-26	2.11	2.7	3.8	5.9	7.3	11.5	21.6
2016-07-11	2.01	1.4	1.5	1.8	0.8	6.2	13.5

Event Date	10-Day A/D	5 Days	10 Days	22 Days	63 Days	126 Days	252 Days
2016-11-17	1.91	1.2	0.2	3.8	8.2	9.5	17.9
2019-01-09	2.38	1.2	2.2	4.8	11.7	16.1	26.7
2019-09-11	2.13	0.2	-0.5	-1.0	4.4	-17.3	11.3
2020-06-05	1.93	-4.8	-3.0	-0.8	8.2	14.8	32.3
2020-10-07	1.98	2.0	0.5	2.6	11.2	20.7	28.7
2021-02-12	1.92	-1.5	-0.8	1.0	6.1	13.6	12.3
2022-07-28	1.97	2.0	3.3	-1.0	-5.9	-0.0	
2023-02-02	1.99						

Summary Item	5 Days	10 Days	22 Days	63 Days	126 Days	252 Days
Mean	0.97	1.72	2.94	4.97	9.41	16.63
Median	1.20	1.93	2.73	6.07	10.54	17.50
Number Up	33	32	36	34	38	43
Number Down	12	13	9	11	7	1
All Periods Mean	0.17	0.34	0.75	2.12	4.31	8.93

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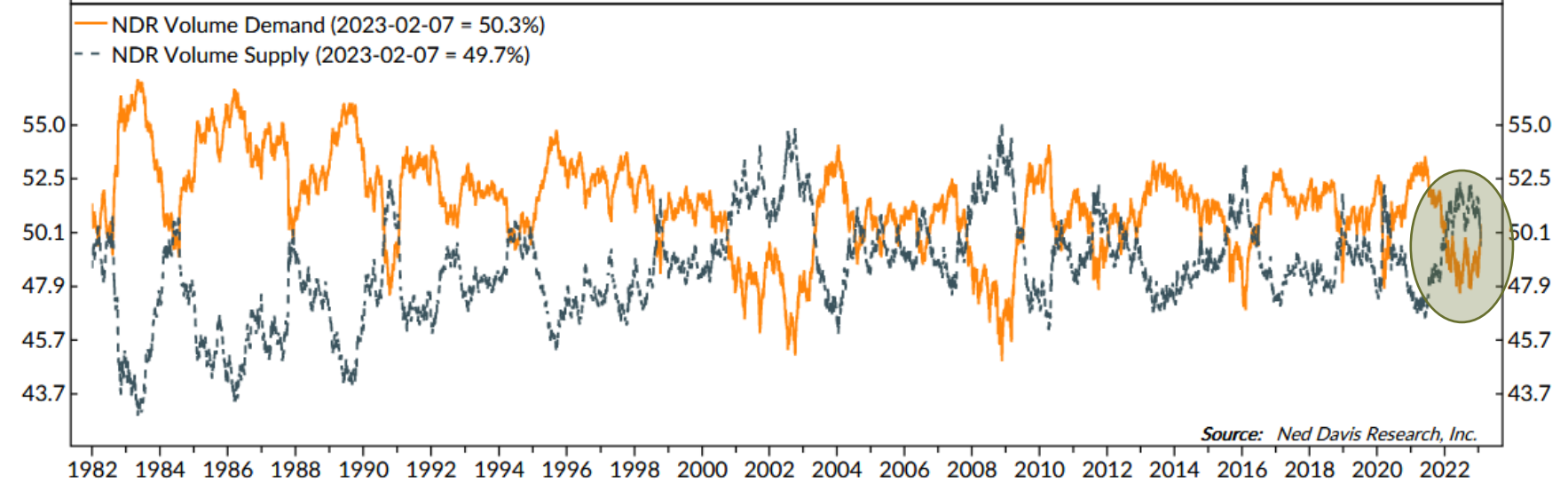
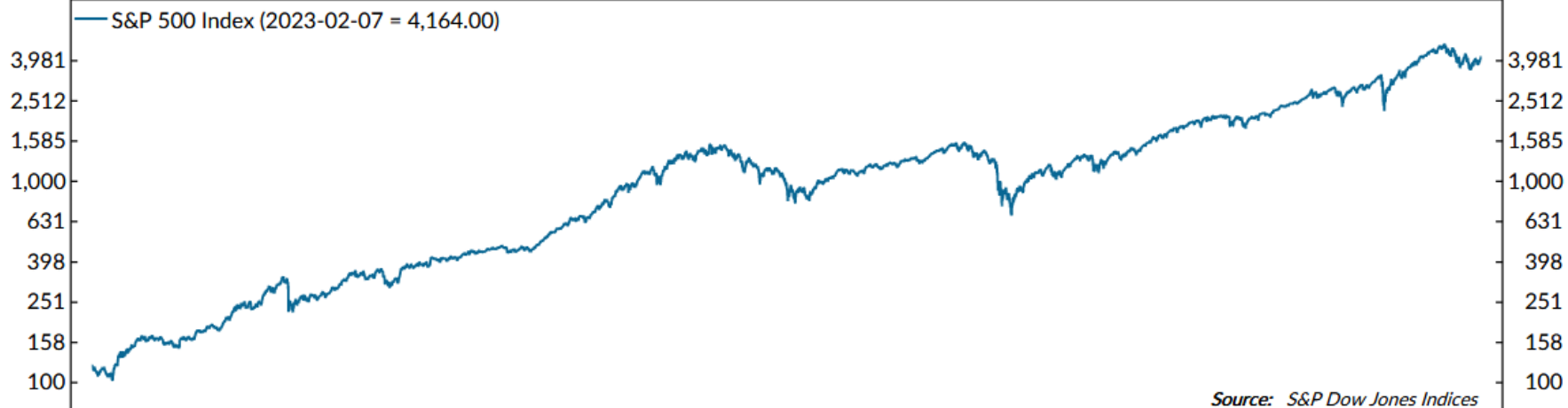
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Volume demand finally overtakes volume supply.

S&P 500 Index vs NDR Supply and Demand

Daily Data 1981-12-31 to 2023-02-07



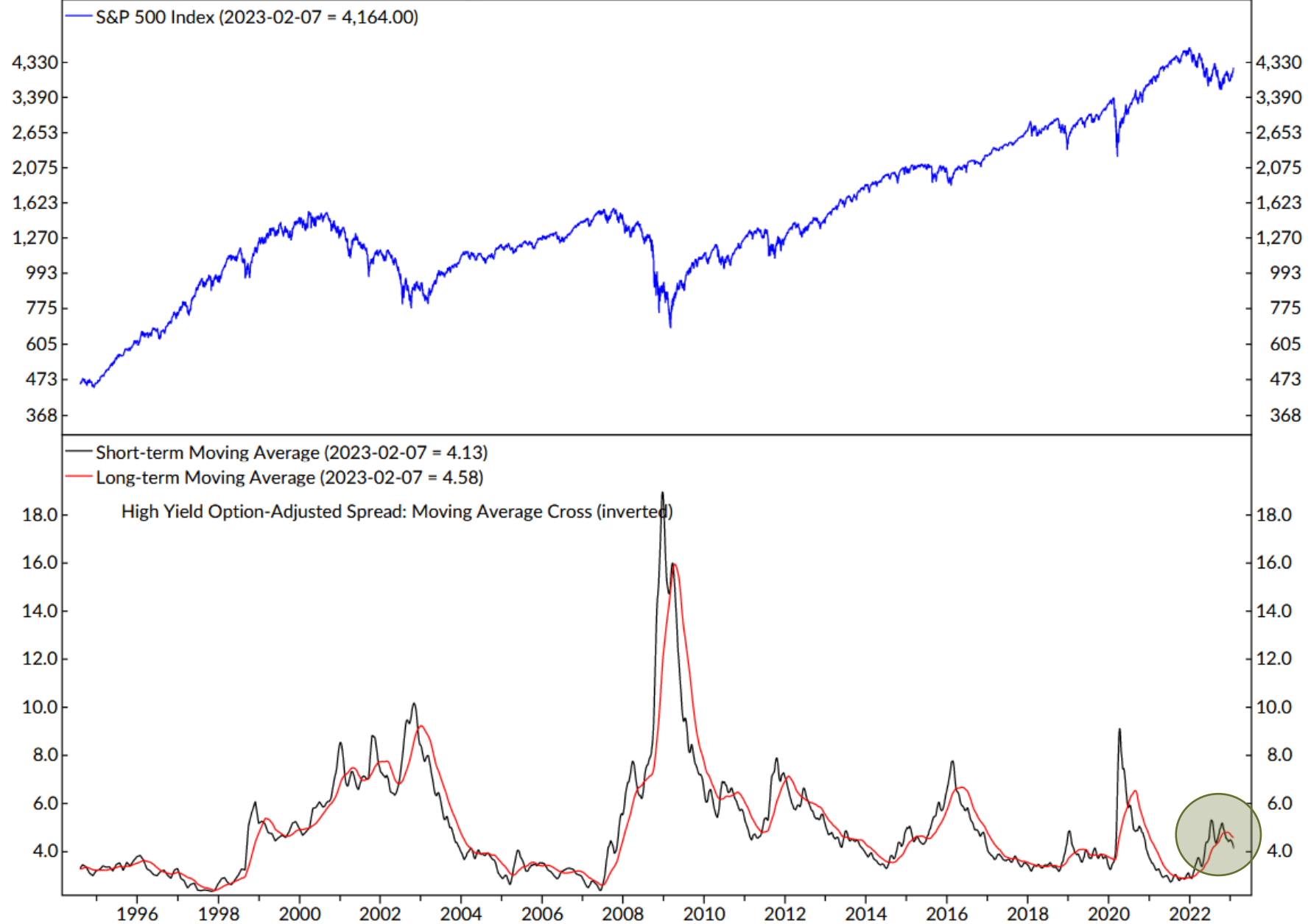
S&P 500 Index Performance		
Full History: 1981-12-31 to 2023-02-07		
NDR Volume Demand is	% Gain/ Annum	% of Time
Above NDR Volume Supply	11.82	77.98
Below NDR Volume Supply	-0.63	22.02
Buy/Hold = 8.95% Gain/Annum		



Credit spreads
(OAS) narrowing.
Indicates normally
functioning markets.

NDRIS US Stock Market Model: High Yield OAS Factor

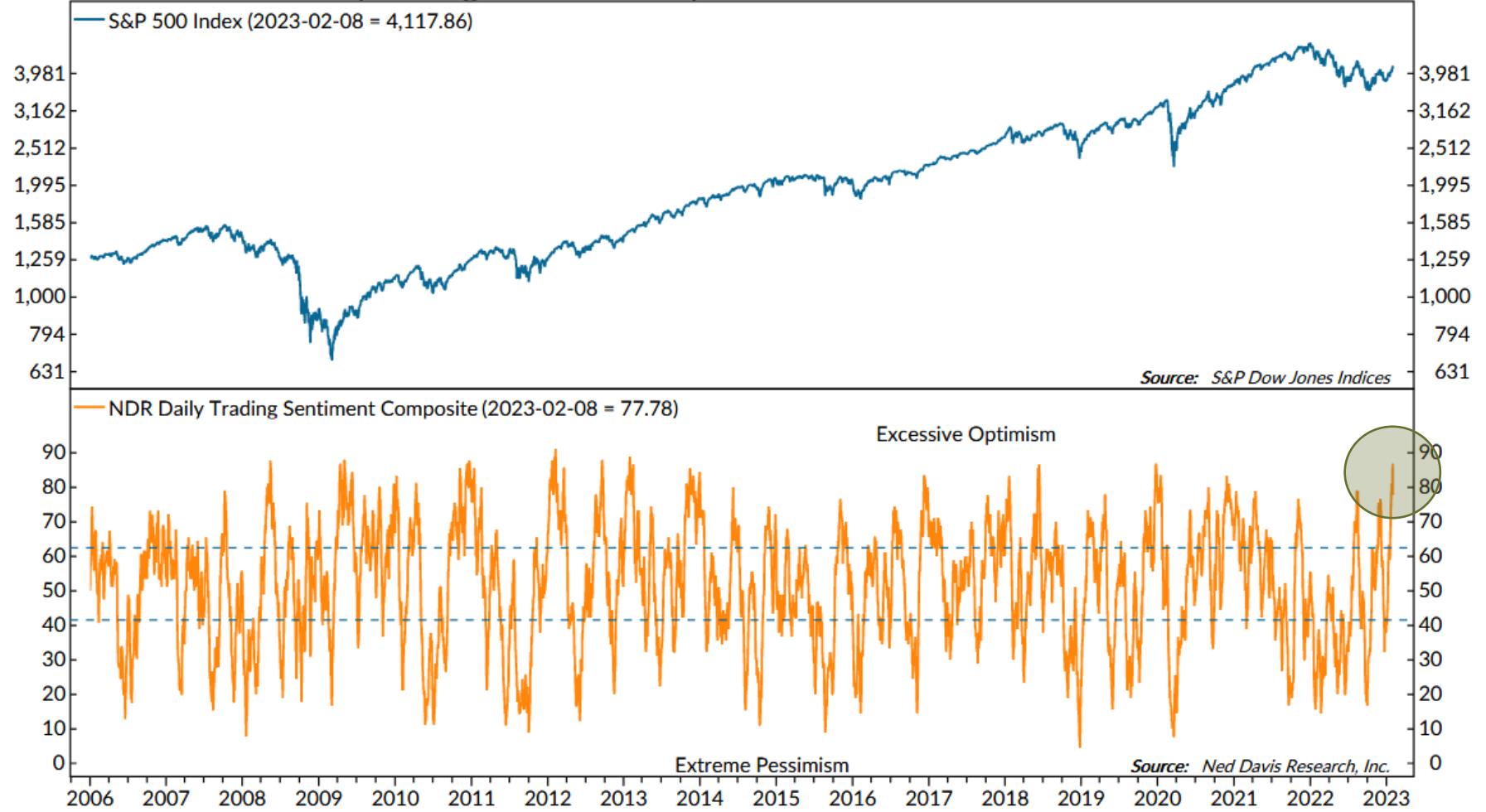
Daily Data 1994-08-03 to 2023-02-07



Short-term sentiment measures show excessive optimism.

S&P 500 vs. NDR Daily Trading Sentiment Composite

Daily Data 2006-01-03 to 2023-02-08



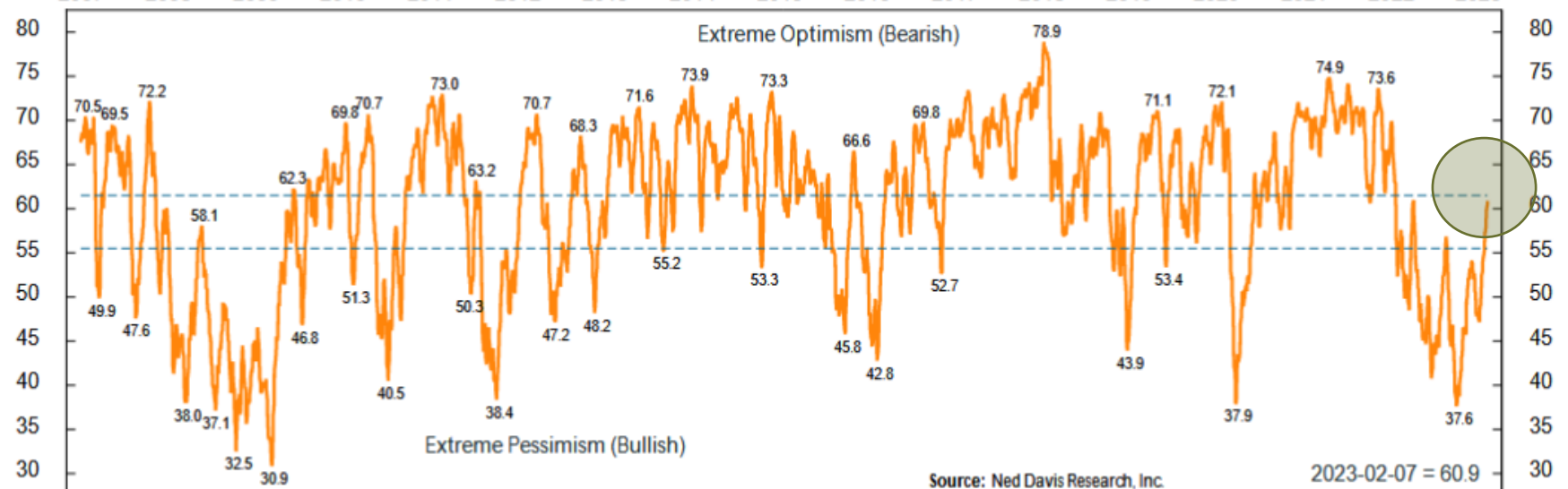
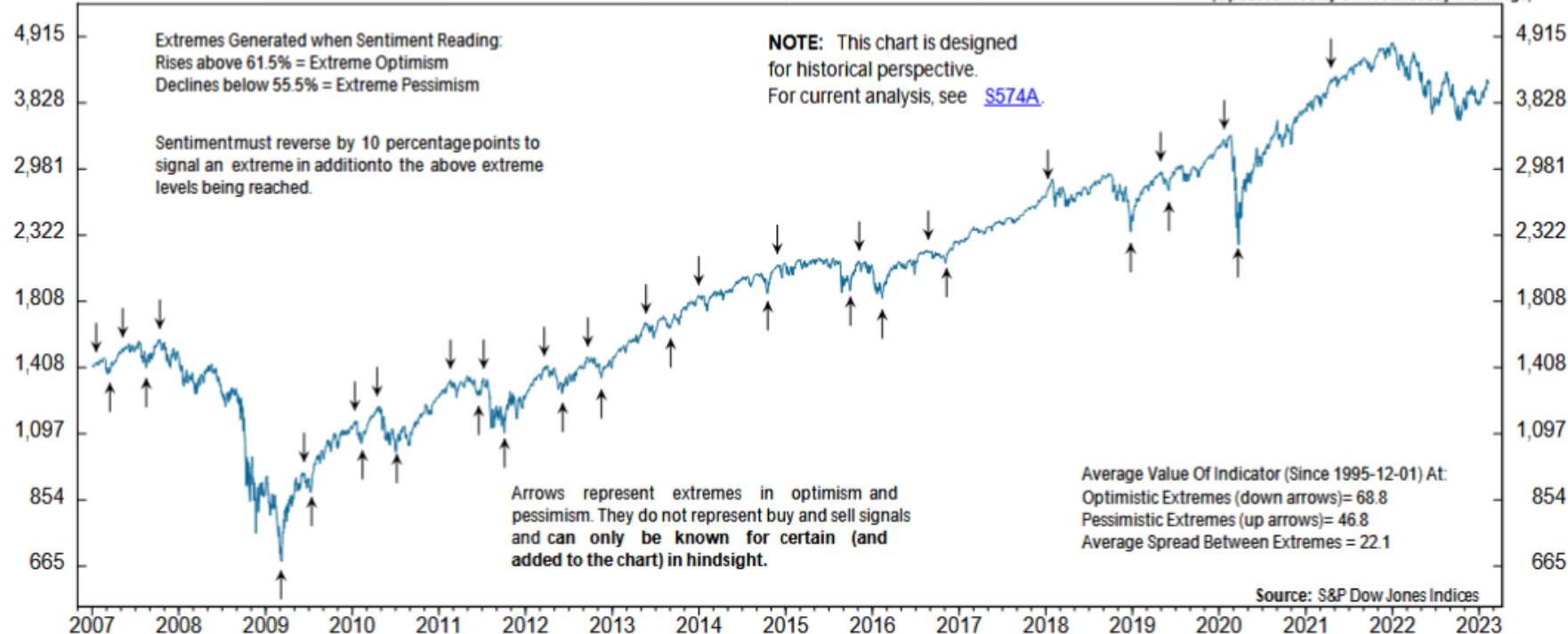
S&P 500 Index Performance		
Full History: 1994-12-30 to 2023-02-08		
NDR Daily Sentiment Composite is	% Gain/Annum	% of Time
Above 62.5	-6.62	28.29
41.5 - 62.5	7.61	44.08
Below 41.5	26.55	27.62
Buy/Hold = 8.11% Gain/Annum		

S&P 500 Index Performance		
Chart View: 2006-01-03 to 2023-02-08		
NDR Daily Sentiment Composite is	% Gain/Annum	% of Time
Above 62.5	-4.02	29.29
41.5 - 62.5	4.60	41.81
Below 41.5	23.94	28.90
Buy/Hold = 7.12% Gain/Annum		

Longer-term sentiment measures neutral.

S&P 500 Composite Index

2006-12-29 to 2023-02-07 (Log Scale)
(Updated weekly on Wednesday mornings)

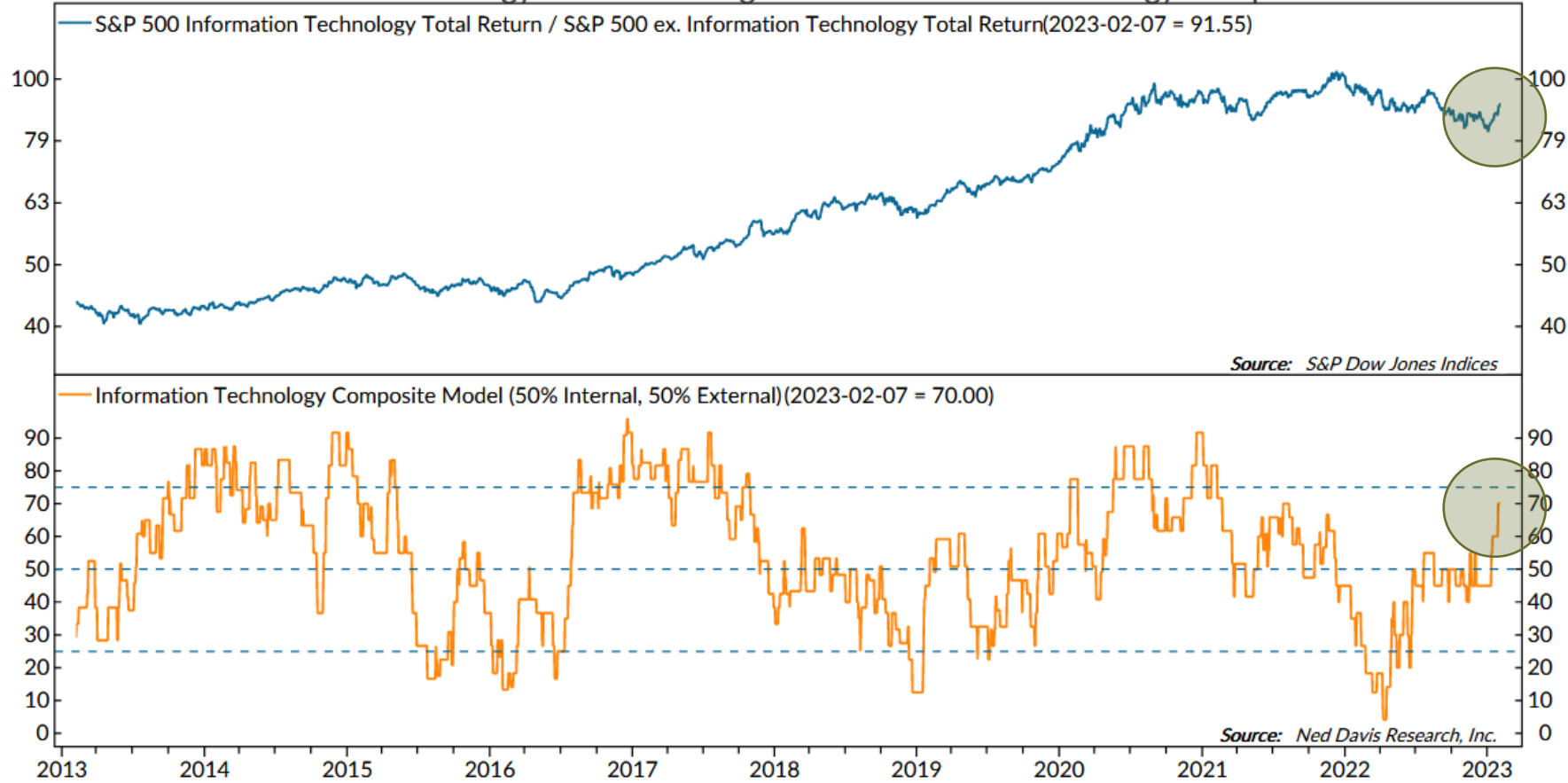


NDR Crowd Sentiment Poll

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Information Technology sector model improvement.

S&P 500 Information Technology Relative Strength vs. Information Technology Composite Model



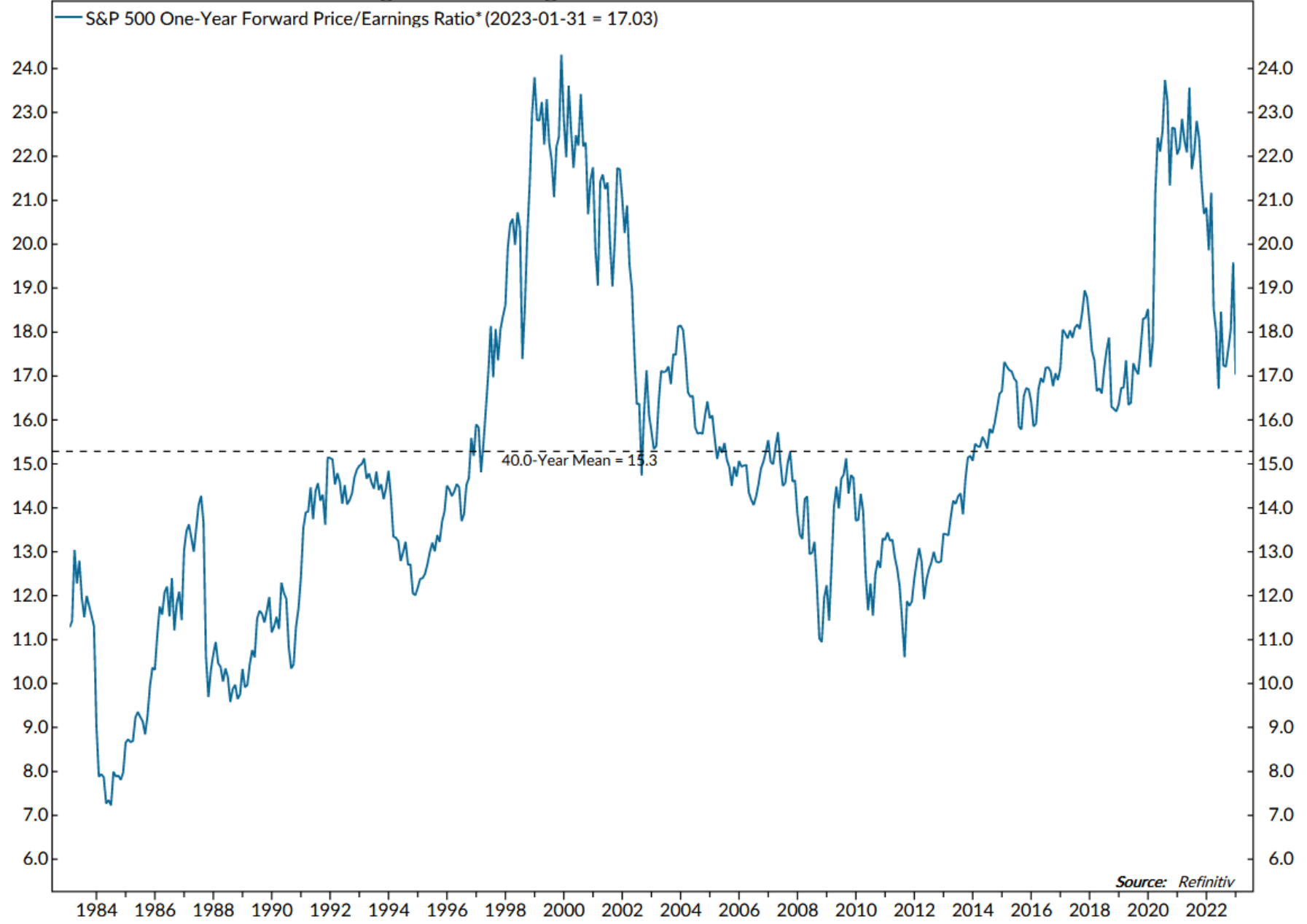
Information Technology / S&P 500 ex. Information Technology Performance		
Full History: 1979-12-31 to 2023-02-07		
Information Technology Composite Model is	% Gain/Annum	% of Time
Above 75	18.94	14.96
Between 50 and 75	5.45	41.74
Between 25 and 50	-7.82	33.64
25 and Below	-17.22	9.65
Buy/Hold = 0.25% Gain/Annum		

Information Technology / S&P 500 ex. Information Technology Performance		
Chart View: 2013-02-07 to 2023-02-07		
Information Technology Composite Model is	% Gain/Annum	% of Time
Above 75	10.78	18.87
Between 50 and 75	17.56	39.32
Between 25 and 50	-2.13	34.53
25 and Below	-0.79*	7.28
Buy/Hold = 7.76% Gain/Annum		
* Cases less than one year are not annualized		

Valuations.

S&P 500 Forward vs. Trailing Price/Earnings Ratios

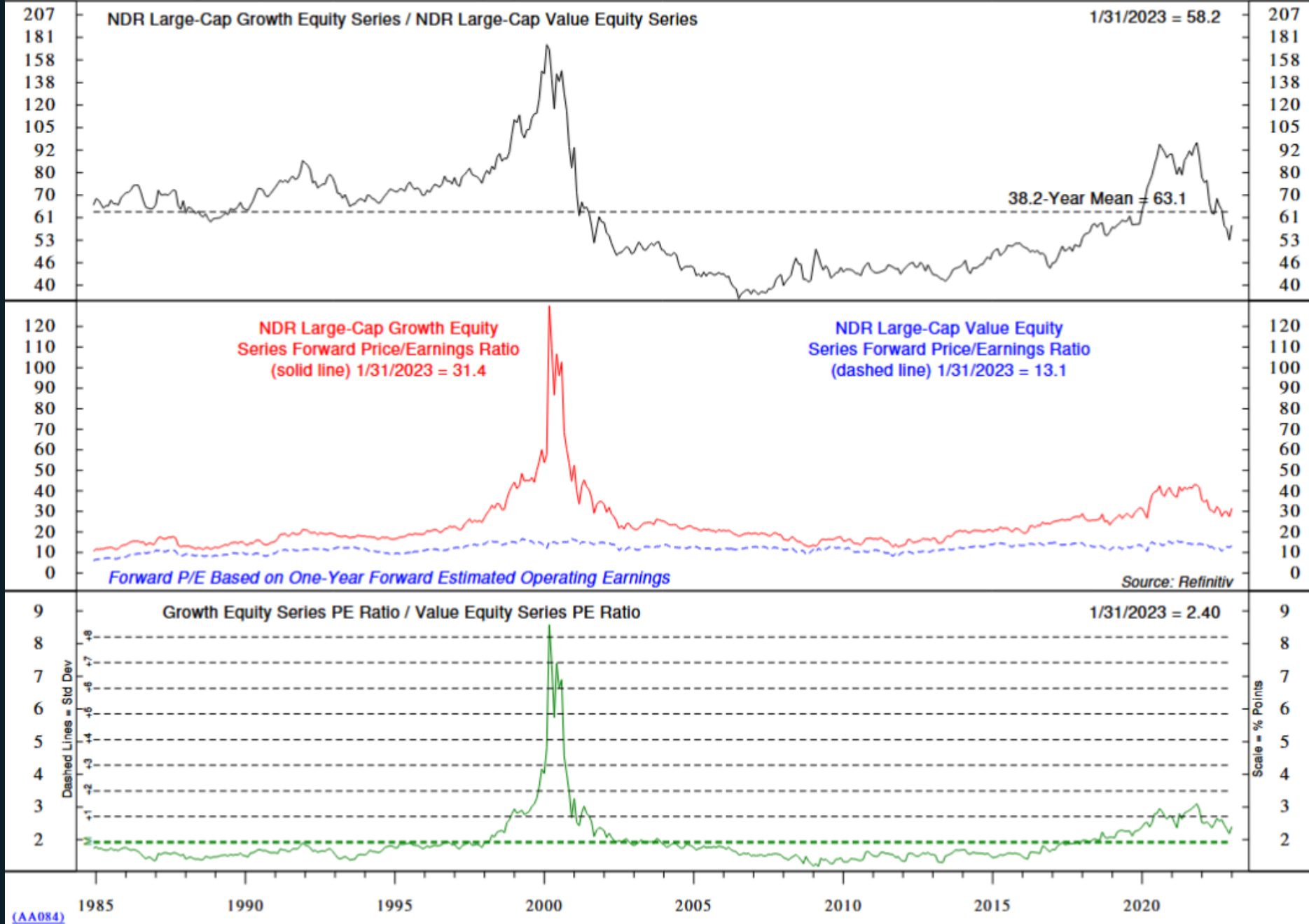
Monthly Data 1983-02-28 to 2023-01-31



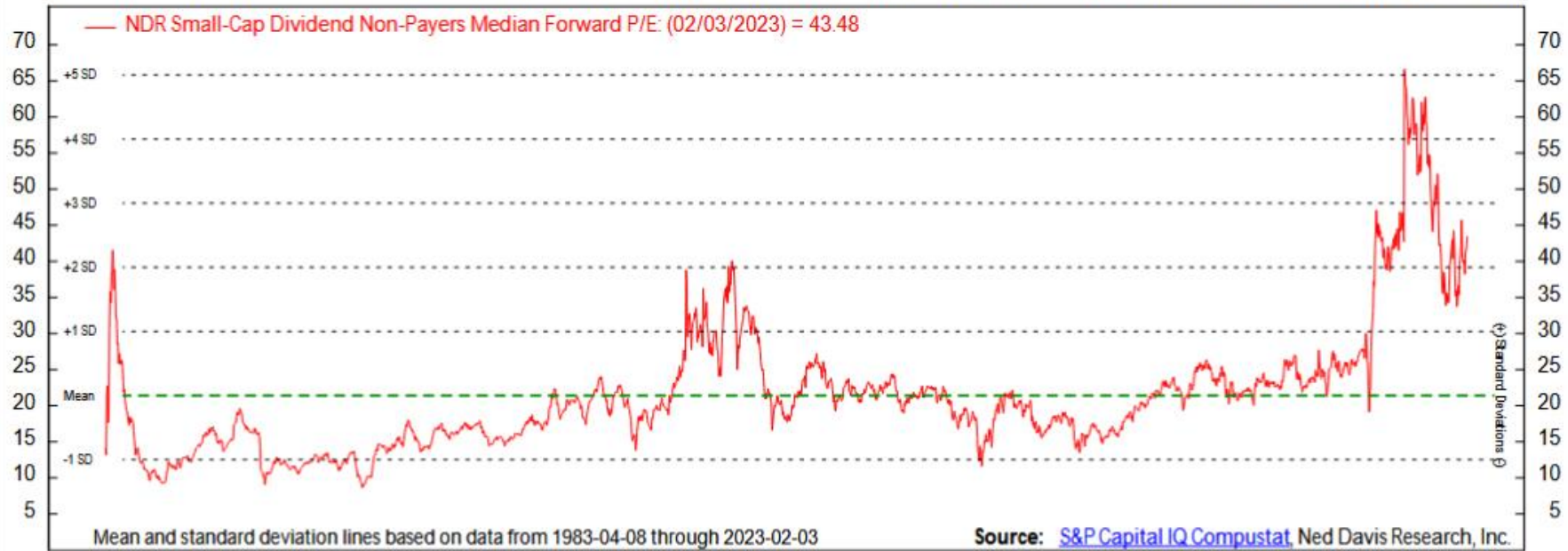
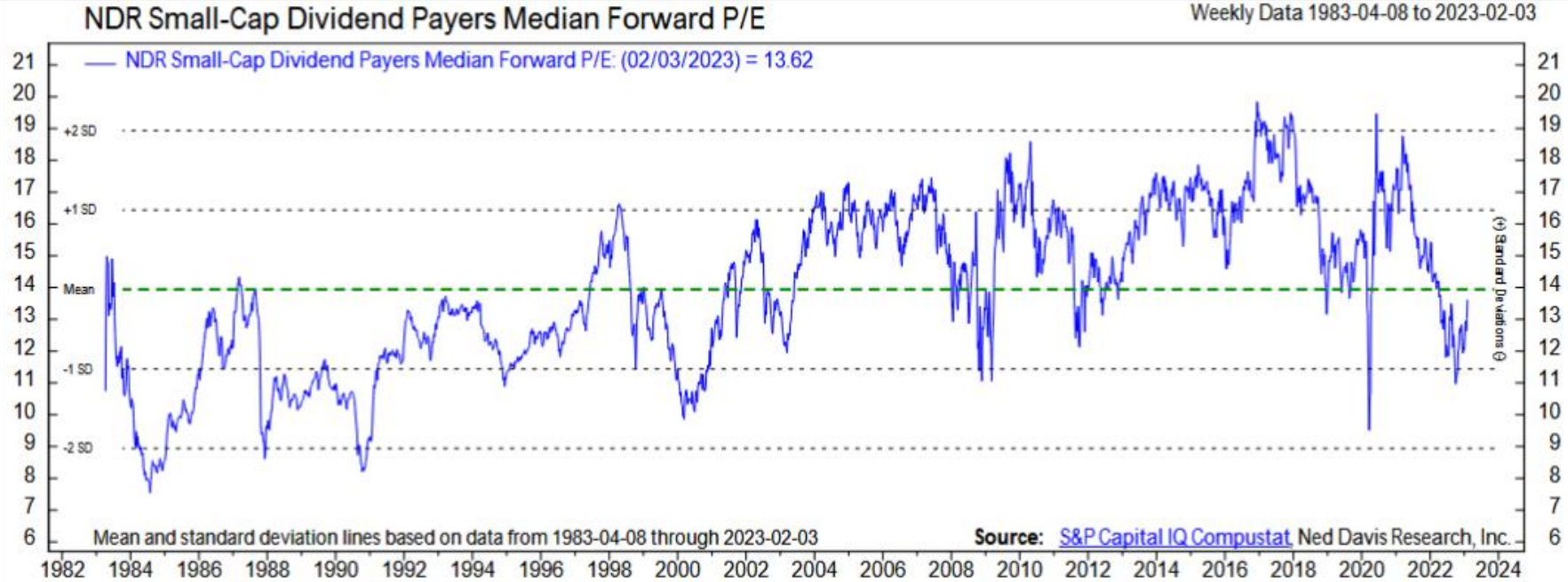
Value is relatively inexpensive.

NDR Large-Cap Growth & Value Equity Series Relative Forward P/E Ratios

Monthly 12/31/1984 - 1/31/2023 (Log Scale)



Quality matters in this environment.



NDR Small-Cap Dividend Non-Payers Median Forward P/E

[SBOX_273A_SC](#)

Current S&P 500 Forward P/E = 17x

Remain mindful of the impact of inflation on market multiples.

Inflation	Dividend and Capital Gains Tax	Years	Average P/E	% Change to Average P/E
>4%	Low Tax	5	14.4x	-15.3%
	High Tax	26	11.2x	-34.1%
0%-4%	Low Tax	24	20.1x	+18.2%
	High Tax	33	16.3x	-4.1%
<0%	Low Tax	9	22.3x	+31.2%
	High Tax	5	12.4x	-27.1%

Data Coverage: Yearly from 1914 to 2020

What happens when TINA is no longer the case...?

Source: Valens Research

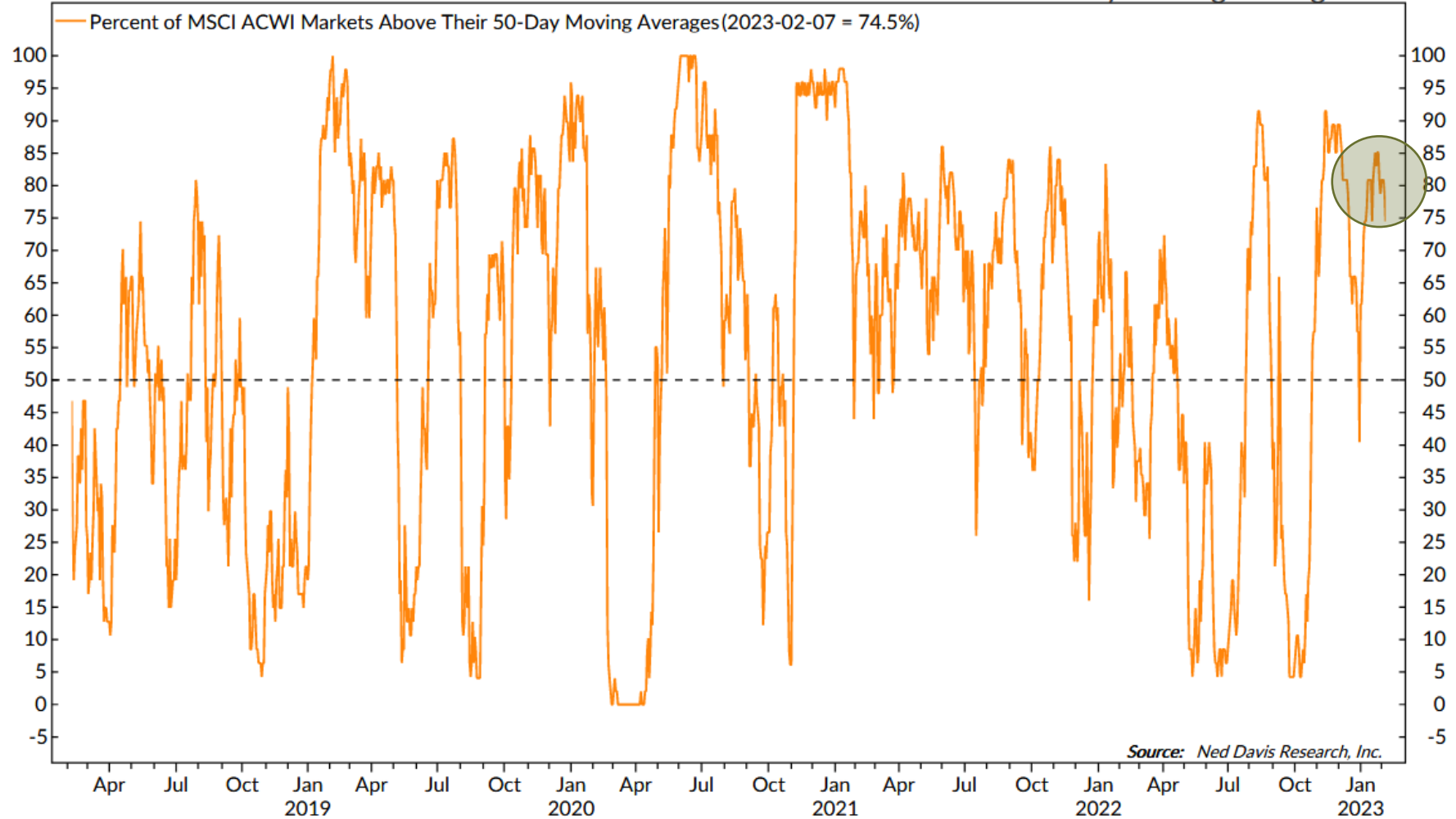
Positions and outlook may change
at any time.

Smart Sector International ex-US:



International
improving.

Global Stock/Bond Ratio vs. Percent of MSCI ACWI Markets Above Their 50-Day Moving Averages



Bullish above 50%.
Bearish below 50%.

Global Stock/Bond Ratio Performance		
Full History: 1994-05-31 to 2023-02-07		
MSCI ACWI Breadth Indicator is	% Gain/Annum	% of Time
Bullish	10.16	62.03
Bearish	-8.61	37.97
Buy/Hold = 2.62% Gain/Annum		

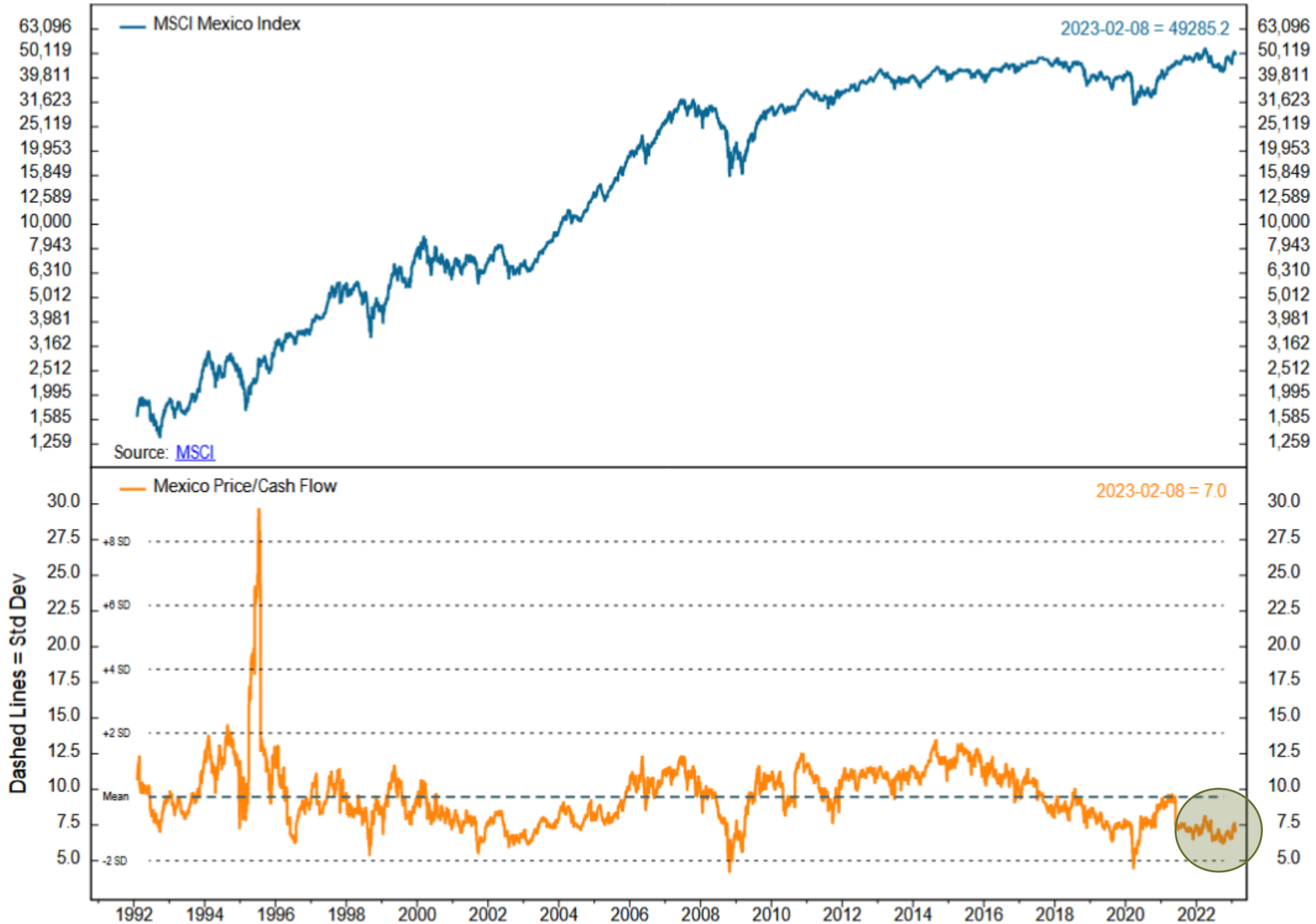


Global Stock/Bond Ratio Performance		
Chart View: 2018-02-07 to 2023-02-07		
MSCI ACWI Breadth Indicator is	% Gain/Annum	% of Time
Bullish	9.31	59.04
Bearish	3.72	40.96
Buy/Hold = 6.99% Gain/Annum		

Valuation opportunities in international.

MSCI Mexico Index Price/Cash Flow

Daily Data 1992-01-31 to 2023-02-08 (Log Scale)

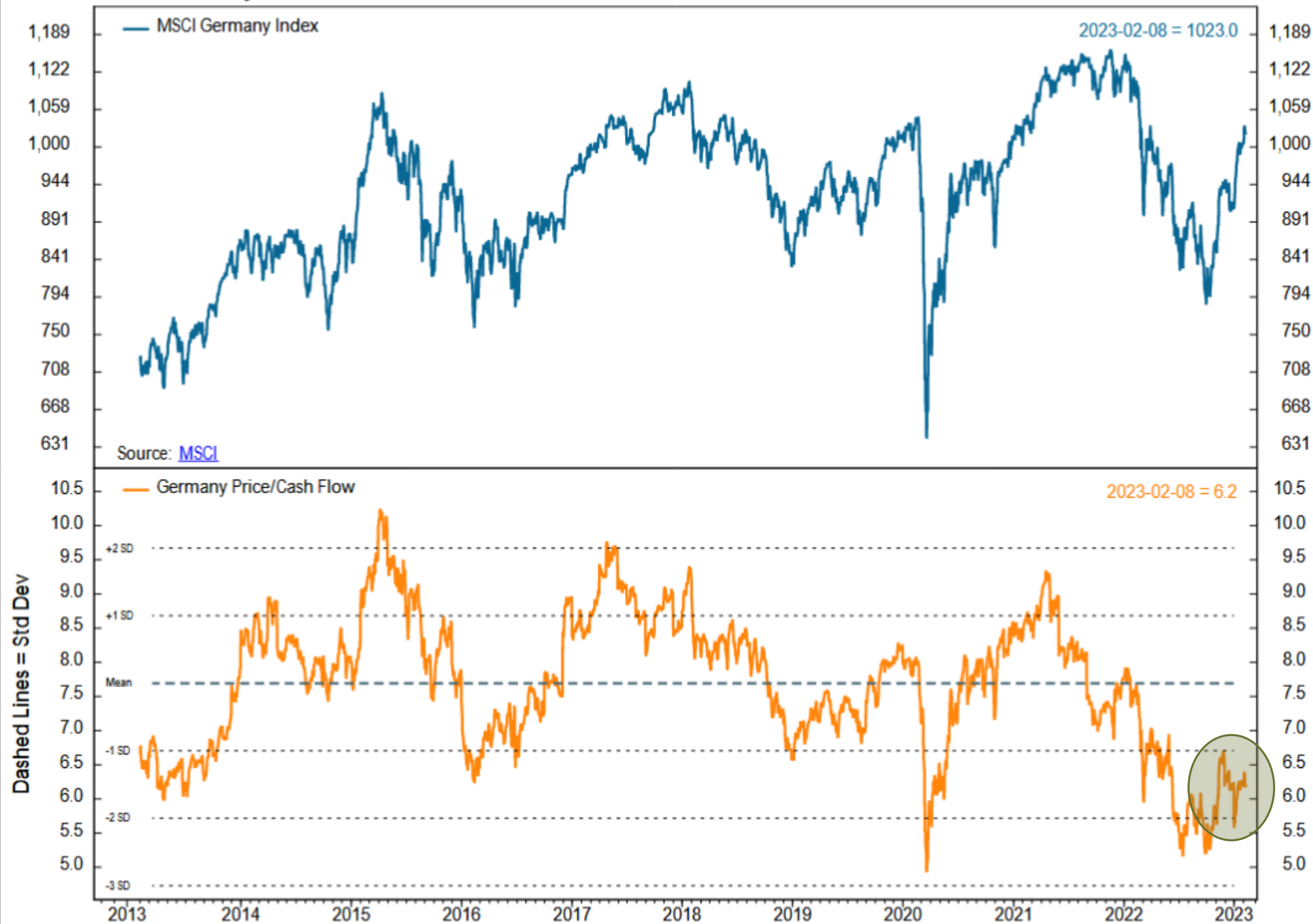


Range (years): 13 15 10 20 32

Valuation opportunities in international.

MSCI Germany Index Price/Cash Flow

Daily Data 2013-01-31 to 2023-02-08 (Log Scale)

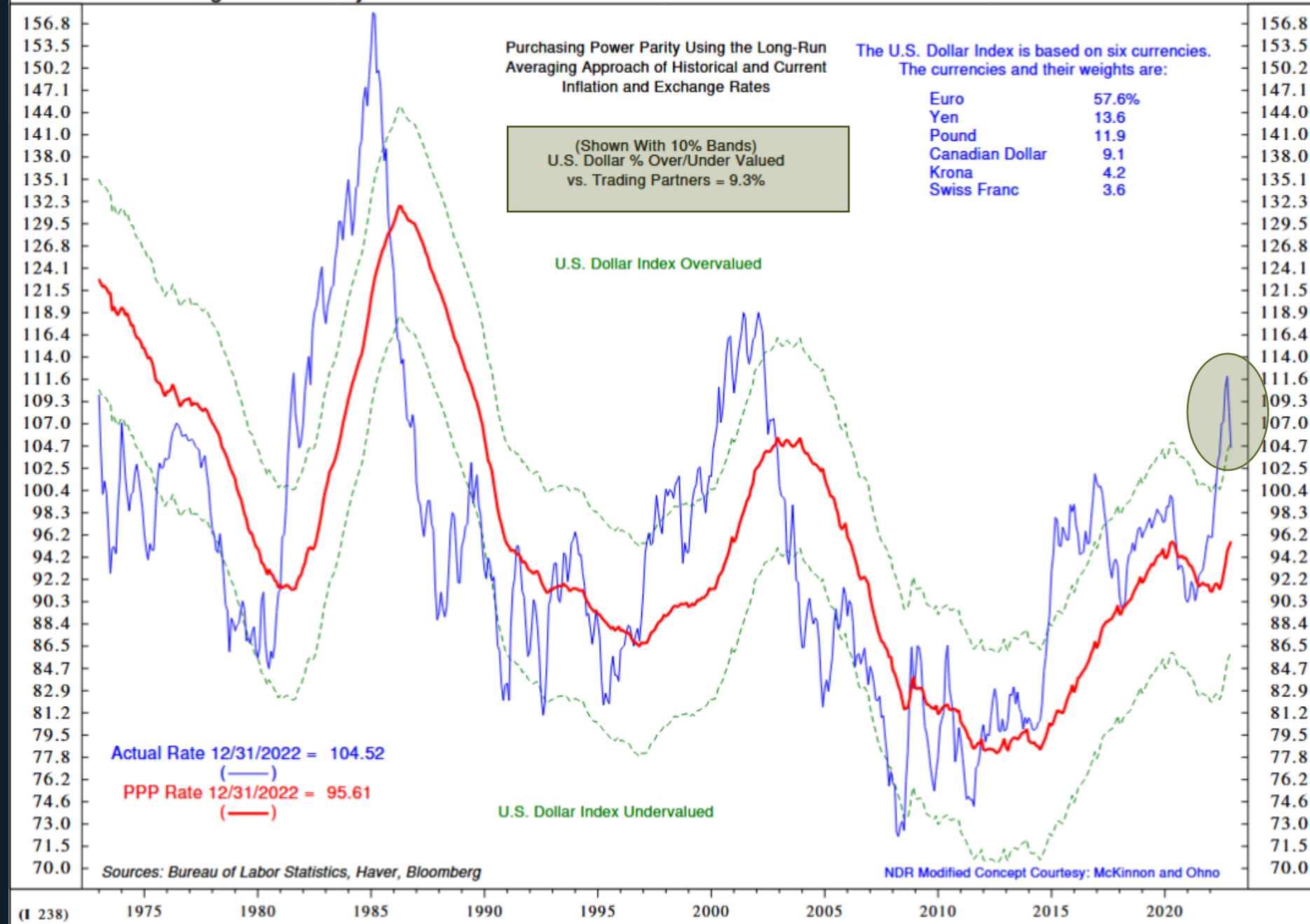


U.S. dollar models are still relatively weak overall.

<u>Rank</u>	<u>One Week Ago</u>	<u>Four Weeks Ago</u>	<u>Currency Market</u>	<u>Total Composite</u>	<u>Short-Term Technical Composite</u>	<u>Intermediate-Term Technical Composite</u>	<u>Long-Term Technical Composite</u>
1	4	2	Japanese Yen	68.06	<u>75.00</u>	<u>66.67</u>	<u>62.50</u>
2	2	4	Australian Dollar	66.67	<u>50.00</u>	<u>100.00</u>	<u>50.00</u>
3	1	1	Euro	65.28	<u>33.33</u>	<u>62.50</u>	<u>100.00</u>
4	3	5	Swiss Franc	61.11	<u>33.33</u>	<u>87.50</u>	<u>62.50</u>
5	6	3	British Pound	42.22	<u>10.00</u>	<u>66.67</u>	<u>50.00</u>
6	8	7	U.S. Dollar	41.30	<u>83.33</u>	<u>5.56</u>	<u>35.00</u>
7	5	8	Canadian Dollar	31.67	<u>50.00</u>	<u>20.00</u>	<u>25.00</u>
8	7	6	Swedish Krona	25.83	<u>0.00</u>	<u>40.00</u>	<u>37.50</u>

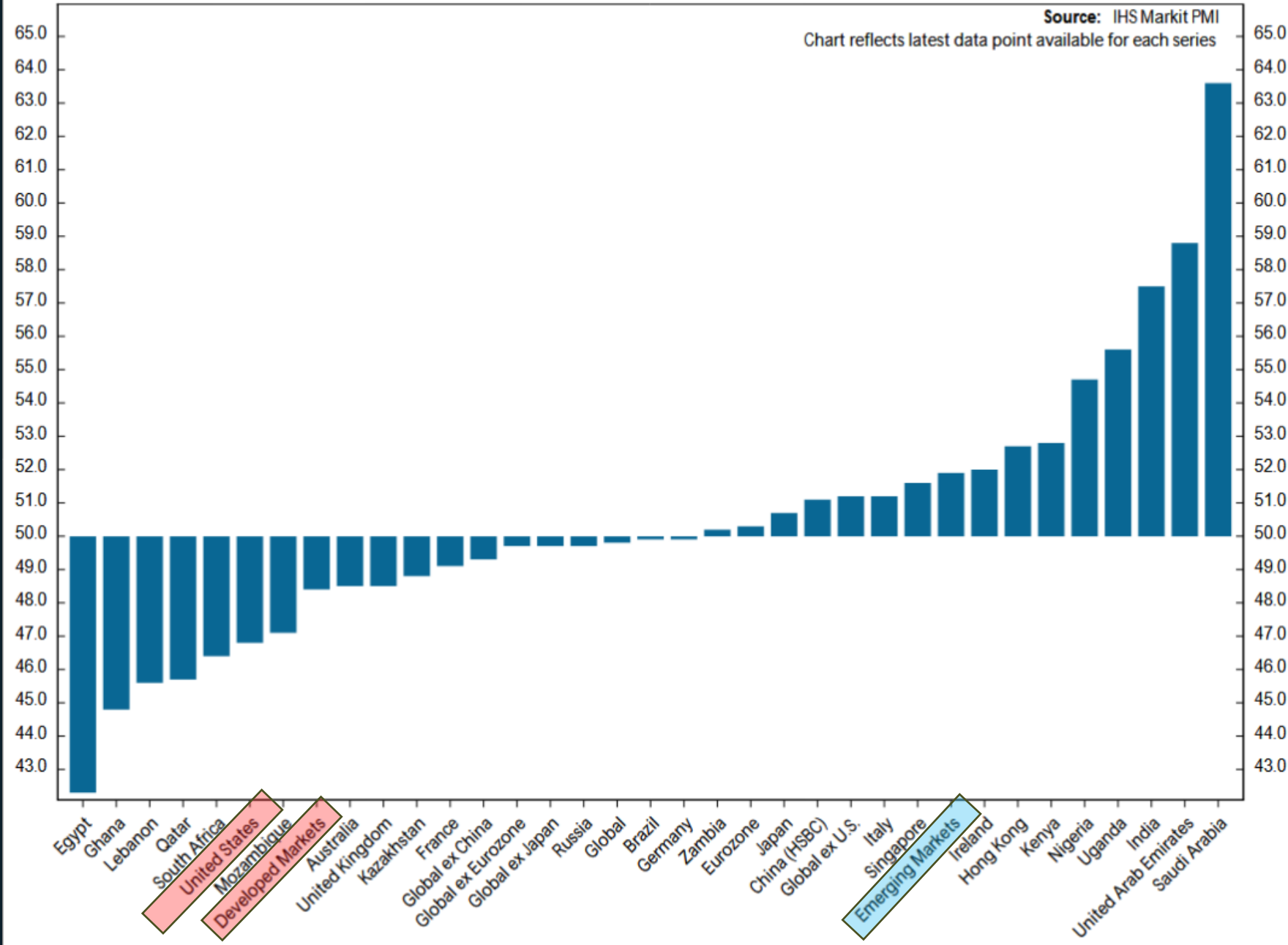
Purchasing Power Parity of the U.S. Dollar Index

The U.S. dollar is overvalued based on PPP.



Composite Purchasing Managers' Indexes (PMI): Output

Manufacturing output improving faster in Emerging Markets.



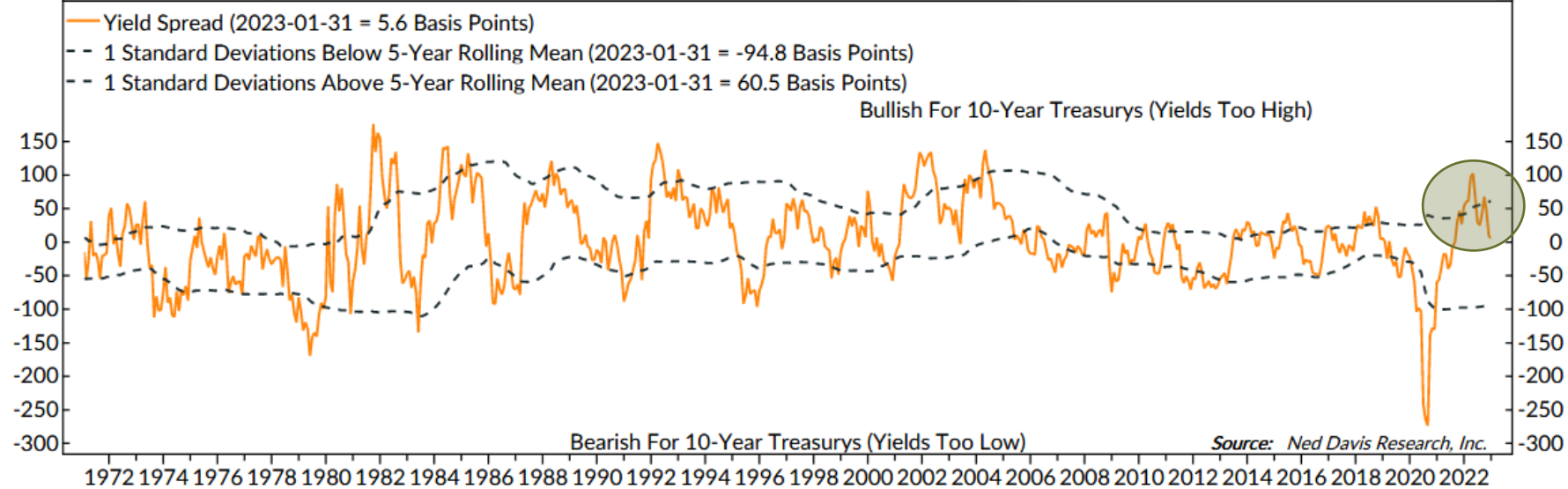
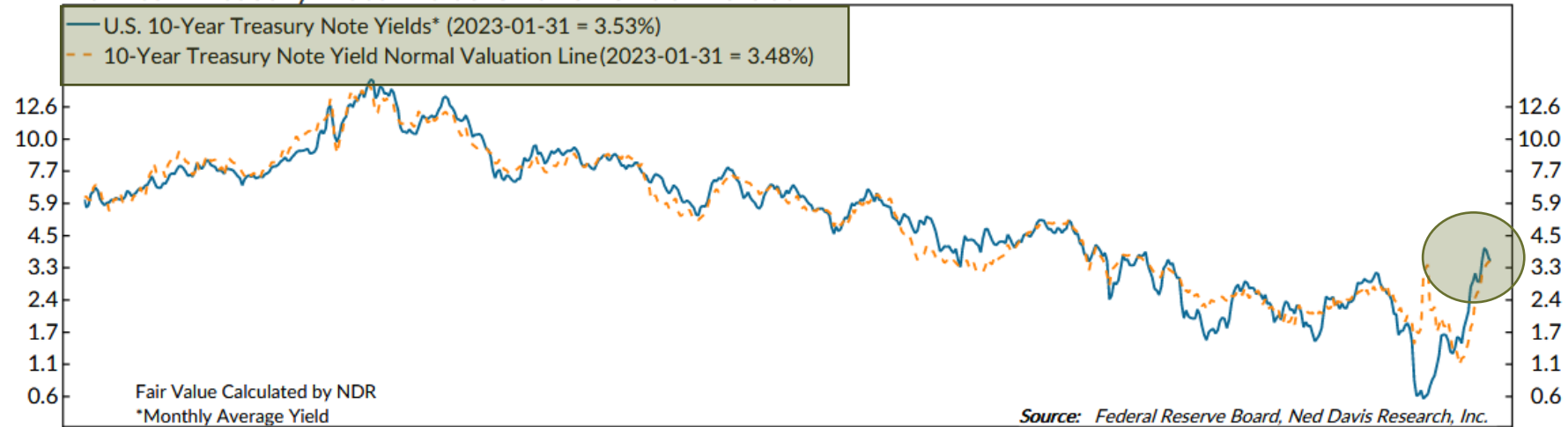
Smart Sector Fixed Income:



Overall, fixed income is near fair value. Seek sector-specific opportunities.

10-Year Treasury Note Yields Over or Under Valued

Monthly Data 1971-02-28 to 2023-01-31



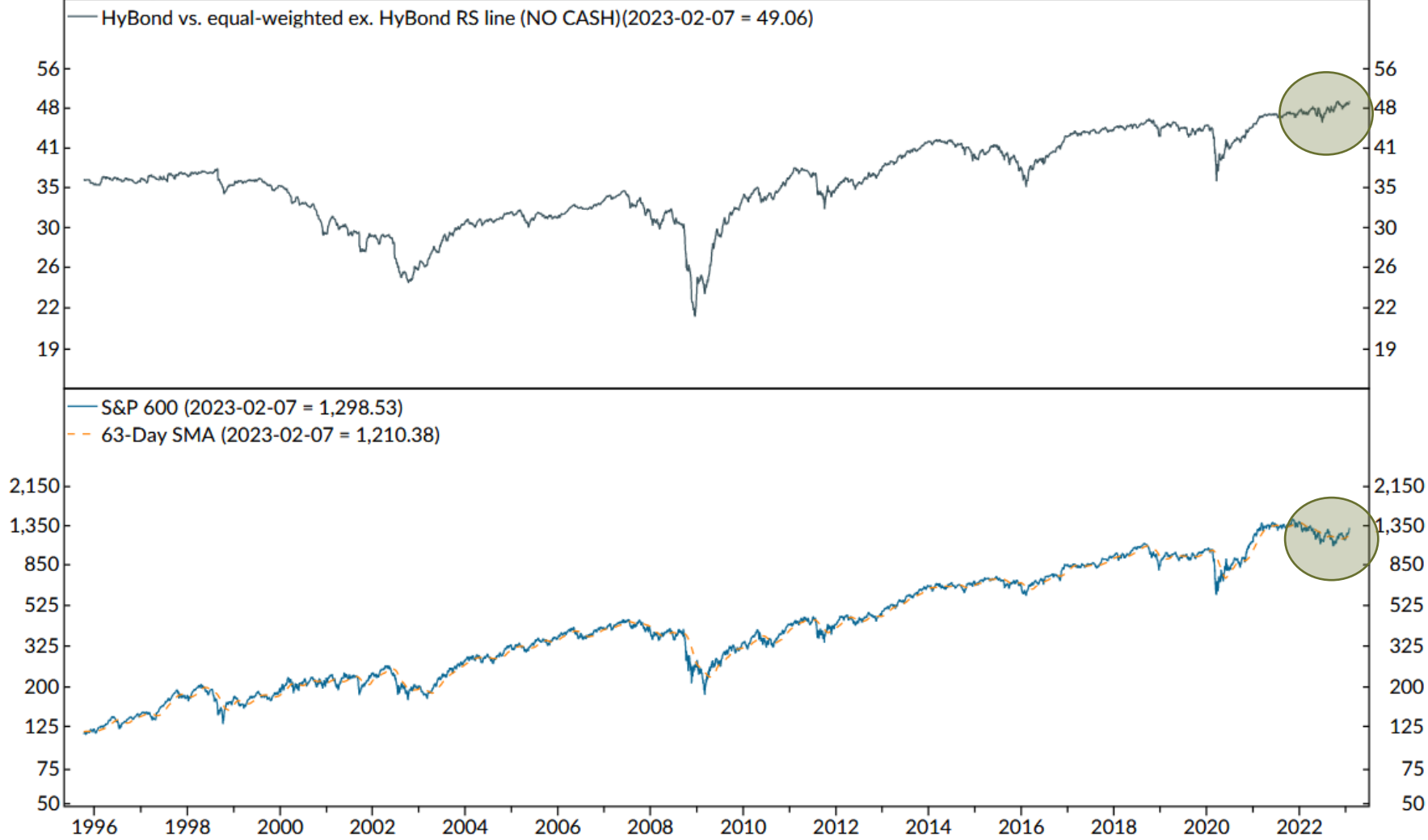
Determinants of Fair Value	Sensitivity
Core PCE Price Index	0.47
6-Month T-Bill Yield	0.45
Real German Bond Yield	0.36
Real GDP Output Gap	-0.17

Analysis Dates: 1971-02-28 - 2023-01-31			
Signal	Barclays LT Treas Mean Return After:		
	6 Months	12 Months	18 Months
After > +1SD	2.86	6.46	8.55
After < -1SD	-2.84	-5.43	-8.29

Overweight High Yield.

U.S. High Yield Bonds US Small Cap Equity Trend

Daily Data 1995-10-09 to 2023-02-07



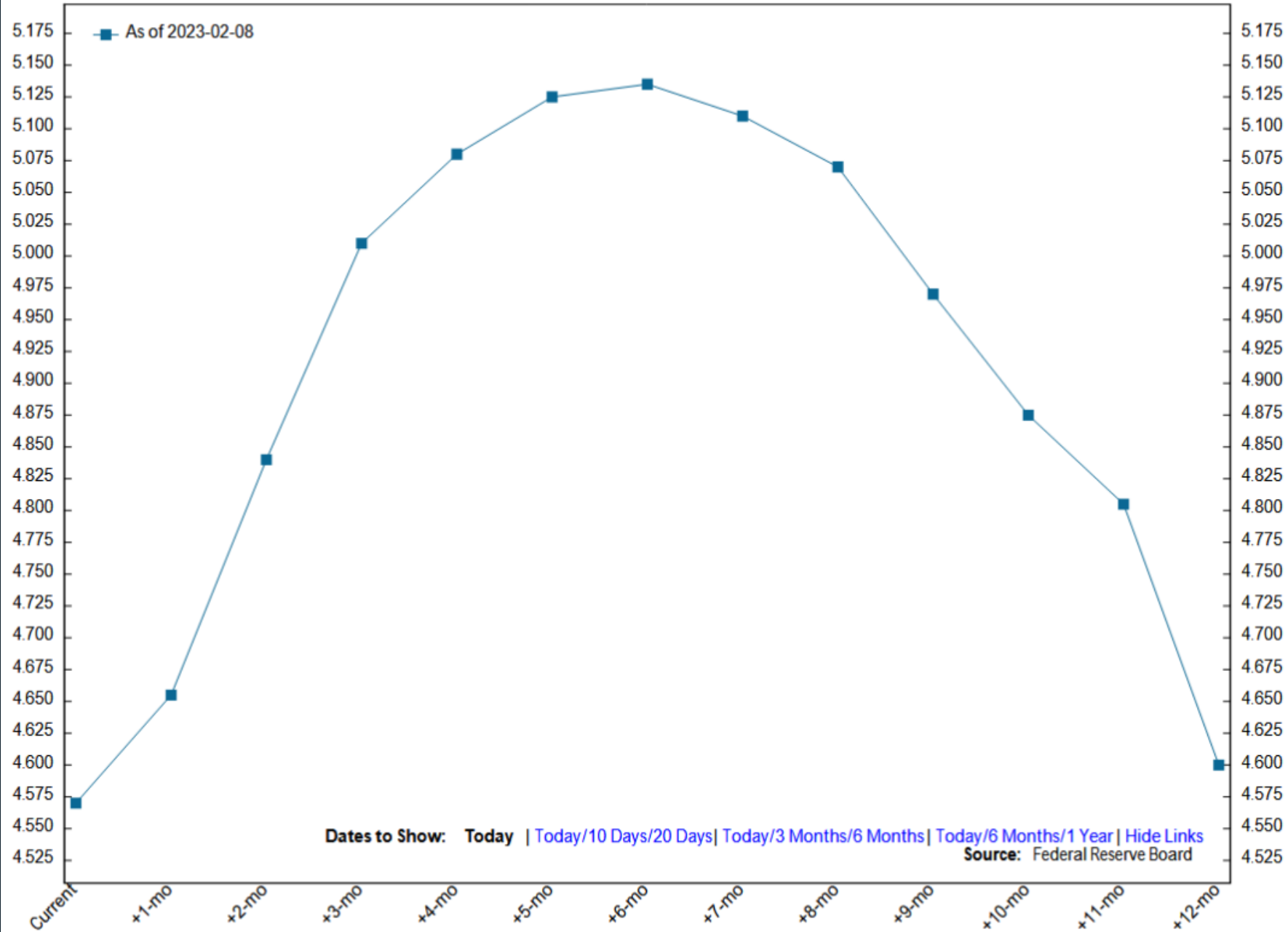
Source: Bloomberg Barclays Indices
Ned Davis Research, Inc.
S&P Dow Jones Indices

1995-10-09 to 2023-02-07		
Signal is:	% Gain/ Annum	% of Time
* Bullish	6.88	64.86
Bearish	-8.77	35.14



Fed funds futures portray an interesting outlook.

Fed Funds Futures Yield Curve



B391A

Conclusion



Better:

- PTP Fed (global Central Bank) hawkishness
- PTP levels of Fed Balance Sheet reduction
- PTP inflation
- PTP supply chain distortions
- PTP interest rates (mortgage rates)
- PTP recession concerns
- PTP oil prices
- Seeing technical improvement

Concerning:

- TIAA (there is an alternative)
- U.S. Large Cap Valuations
- Earnings expectations too high
- Tax/Regulatory backdrop
- Short-term excessive optimism/overbought conditions
- Tight labor market
- Housing market over-corrects
- Tighter lending standards (credit conditions)
- Continued profligate fiscal spending
- Debt ceiling tensions
- Geopolitical upheavals

For More Information

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Data and Sources

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- ZeroHedge.com
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- Yarden.com
- NFIB



Disclosures

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The S&P 500® Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

Thank you!

Hope you have a
wonderful week.

